

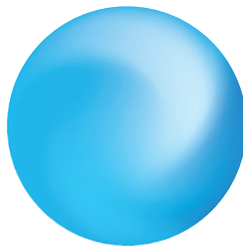
金融リ・デザイン
Resigning Finance



SHINSEI BANK

**INTERIM REPORT
2020**

Six months ended September 30, 2020



CEO Message



In the first half of fiscal 2020, net income attributable to owners of the parent was ¥13.3 billion and earnings per share (EPS) was ¥58.35 due to the spread of the COVID-19 and the resulting stagnant economic activity.

The global spread of the COVID-19 has greatly changed the business environment. However, we are working with external partners, both financial and nonfinancial, to accelerate our initiatives in the Medium-Term Management Strategies of providing value to people who are not satisfied with conventional financial products and services.

We look forward to the continued support and guidance of our stakeholders as we continue to strive to meet their expectations.

January 2021

A handwritten signature in black ink, appearing to read 'Hideyuki Kudo', written over a horizontal line.

Hideyuki Kudo
President and Chief Executive Officer

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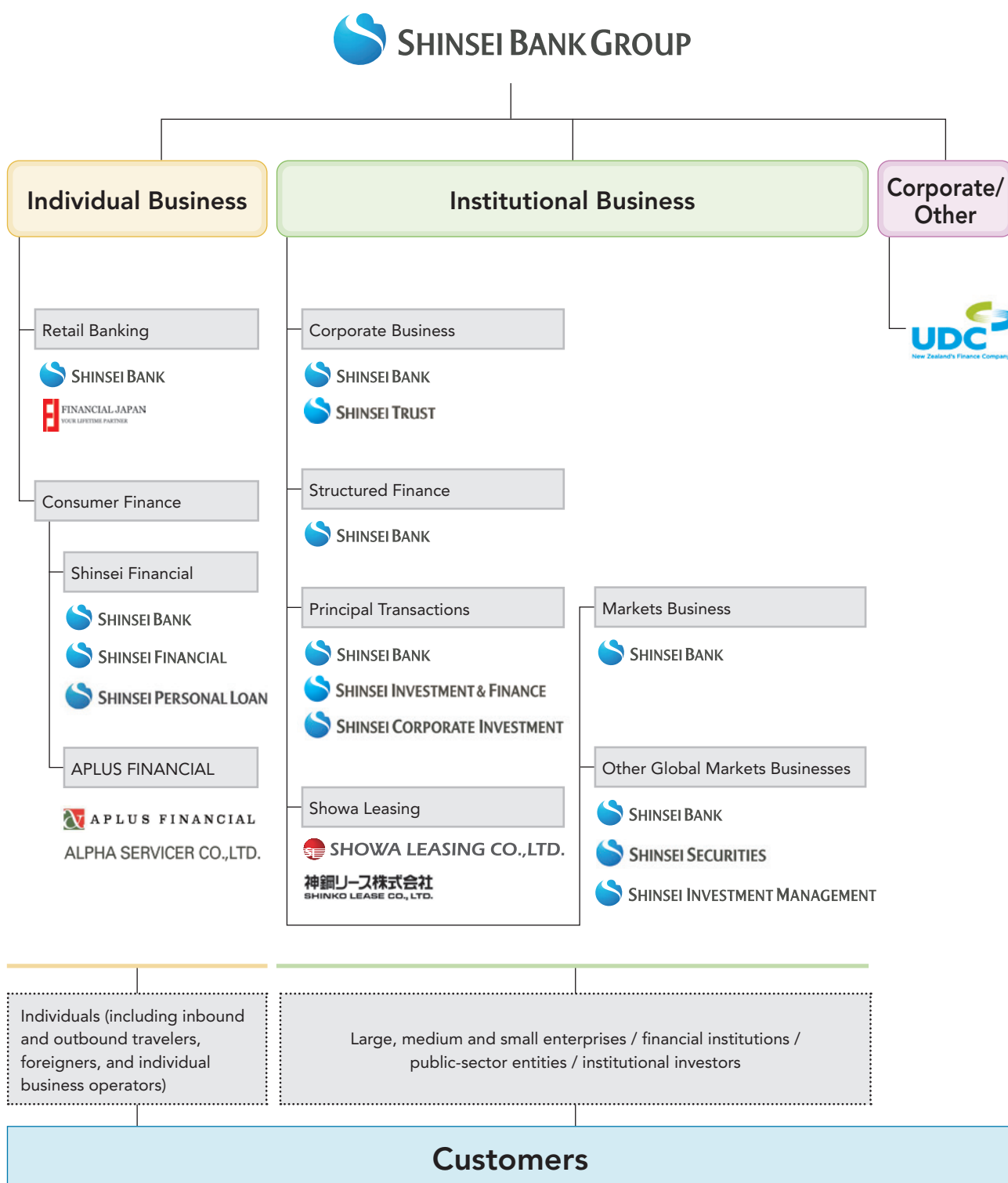
- CEO Message
- 1 Group Business Profile
- 2 Individual Business
- 3 Institutional Business
- 4 Status of SME Management Improvement and Regional Revitalization Initiatives
- 5 Data Section

Editorial Policy

This Report fulfills the disclosure requirements (an explanation of the Shinsei Bank's operations and matters regarding its financial position) stipulated under Article 21 of Japan's Banking Act. This Report also contains statements about the Group's management policies and future operating results that are forward-looking in nature. These forward-looking statements are not a guarantee to future performance. Actual results may differ from those indicated in such forward-looking statements due to a variety of factors, including changes in the operating environment.

Group Business Profile

The Shinsei Bank Group continues to proactively identify underserved customer needs, which are not met by conventional financial products and services. At the same time, we provide solutions to these needs as a financial enterprise group. Targeting both individual and corporate customers, we harness the functions within the Group to deliver unique financial products and services.



Individual Business

Major Businesses

○ Retail Banking

Yen / foreign currency deposits, structured deposits, investment trusts, securities brokerage services (through a partner institution), life and nonlife insurance (through partner institutions), housing loans, provision of financial transactions and services for individuals

○ Shinsei Financial

Unsecured loans and credit guarantees (Shinsei Financial Card Loan Lake ALSA, Shinsei Bank Card Loan (L, Smart Card Loan Plus), NOLOAN)

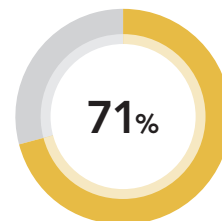
○ APLUS FINANCIAL

Shopping credit, credit cards, loans and payment services

○ Other Individual Business

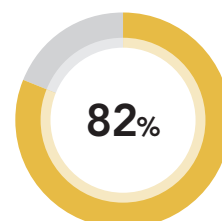
Other subsidiaries

Total Revenue



¥77.7 billion

Ordinary Business Profit after Net Credit Costs

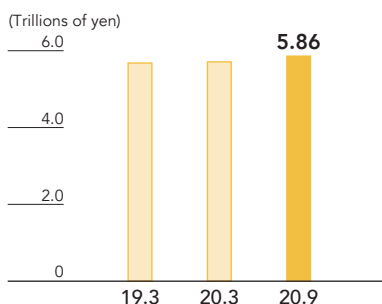


¥16.3 billion

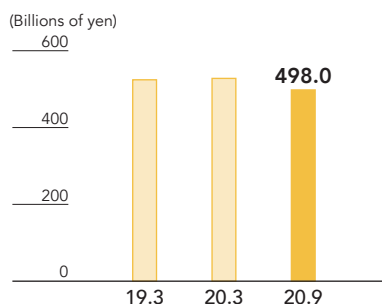
Note: The percentage figures do not add up to 100% due to the contribution of Corporate / Other.

Operating Assets

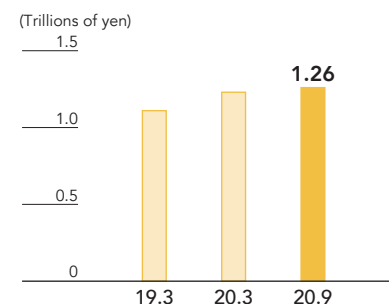
Retail Banking (Asset Under Management)



Unsecured Loans

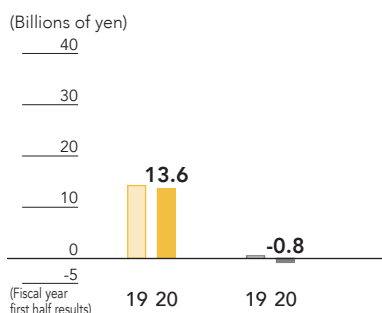


APLUS FINANCIAL

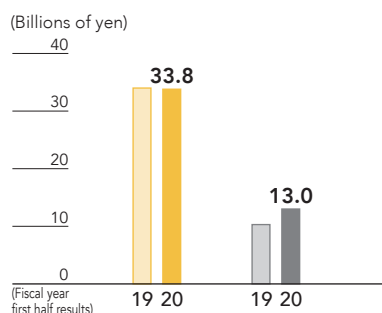


Key Financial Data

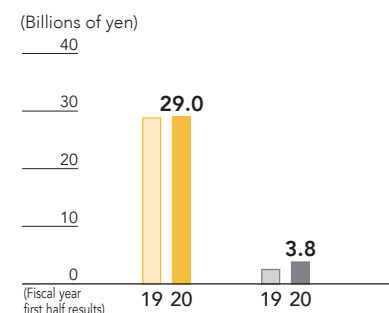
Retail Banking



Unsecured Loans



APLUS FINANCIAL



■ Total Revenue ■ OBP after Net Credit Costs

Institutional Business

Major Businesses

Corporate Business

Provision of financial products, services and advisory services for corporations, public-sector entities and financial institutions, healthcare finance business, trust banking business

Structured Finance

Real estate-related nonrecourse finance and corporate finance, project finance, specialty finance including M&A-related finance

Principal Transactions

Private equity, credit trading, business succession finance and asset-backed investment, etc.

Showa Leasing

Financial products and services focused around lease finance

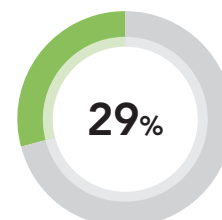
Markets Business

Foreign exchange, derivatives, equity-related and other capital markets business

Other Global Markets Businesses

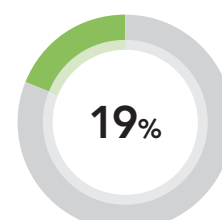
Securities business, asset management business, wealth management business

Total Revenue



¥31.4 billion

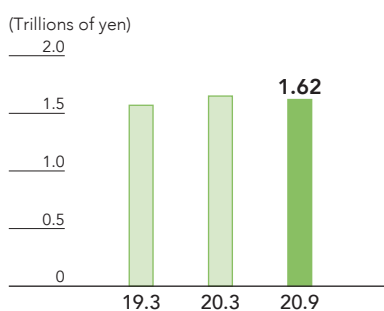
Ordinary Business Profit after Net Credit Costs



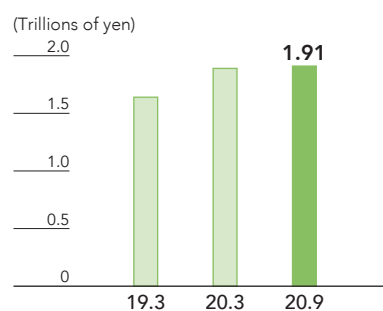
¥3.8 billion

Operating Assets

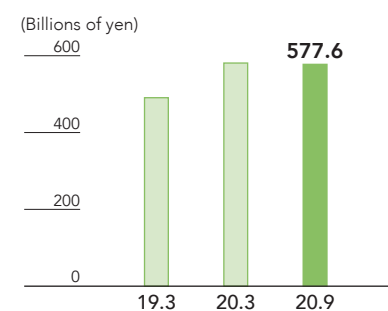
Corporate Business



Structured Finance

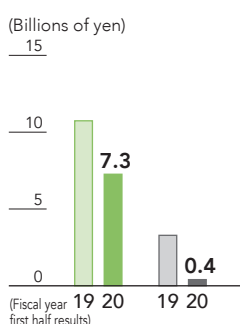


Showa Leasing

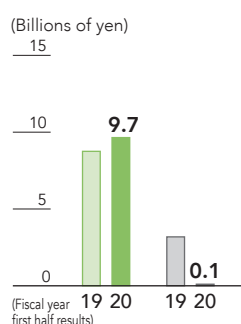


Key Financial Data

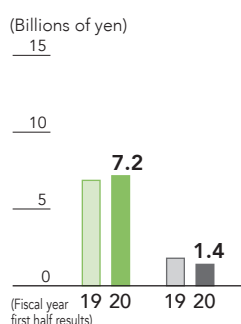
Corporate Business



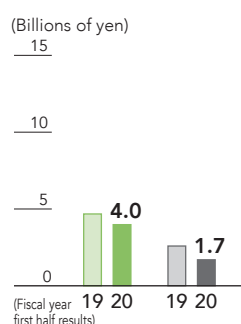
Structured Finance



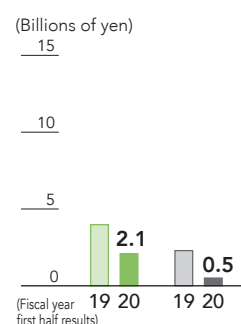
Showa Leasing



Principal Transactions



Markets Business



■ Total Revenue ■ OBP after Net Credit Costs

Status of SME Management Improvement and Regional Revitalization Initiatives

To improve the management of Small and Medium-sized Enterprises (SMEs) and to contribute to regional revitalization, Shinsei Bank engages in initiatives such as those described below, providing our expertise, and depending on the initiative, cooperating with regional financial institutions and the SME Business Support Cooperative. With respect to supporting SMEs and local businesses that have technologies or business models with unrealized growth potential as well as new business fields or business domains that contribute to regional economic revitalization, the Bank goes beyond merely satisfying funding needs to provide financing. This financing emphasizes cash flows and multifaceted solutions to such management issues as business strategy planning and implementation support and other complementary functions.

Through such efforts, the Bank aims to expand the operations of growth-stage SME clients and contribute to the development of new business opportunities that accompany innovation.

Examples of Shinsei Bank Initiatives

Supporting Business Expansion

A subscription service provider

With camera equipment as its main item of business, the company needed to invest upfront in an extensive product line and inventory expansion to meet the diverse needs of its users. For newly founded ventures, the wide variety of high-cost photographic equipment had been a major challenge, but the Bank worked with Showa Leasing to help resolve the constraints to the company's growth by providing capital funding and product inventory. The company has succeeded in significantly expanding its product inventory and has built a service system that delivers equipment to its users in a timely manner, and has gained strong support of many high-end photographers and instagrammers.

Supporting Regional Revitalization and Business Succession

Road construction company

With a history of over 50 years in business and backed by outstanding technological capabilities and the possession of numerous heavy machinery units that are top class in Asia, the company has steadily expanded its business in Japan and overseas. However, the succession of the older owner has been a management issue for many years. Shinsei Business Succession Co., Ltd., a specialized investment subsidiary established by the Bank to support business successions, was approved by the owner by proposing joint investments with leading peripheral businesses that are expected to generate business synergies with the company, and succeeded in supporting smooth business succession by acquiring all shares. Taking advantage of Shinsei Bank Group's know-how that we have cultivated and our network with external partners, we have made efforts to establish a path for the future development of the company, which relied on the management of the older entrepreneur.

Supporting Regional Revitalization and Business Revitalization

Local hotels

The company had been operating mainly for group travelers, but as the demand for group travel continued to decline, the management rights held by the owner company were transferred to a third party. The Bank was entrusted with the financial advisory business related to the transfer of management rights, and matched potential sponsors with major hotel chains that

have the ability to attract customers, and succeeded in retaining the employment of all employees wishing to continue to work and improving their treatment. This example contributed not only to maintain employment in the region, but also to reduce the debt of former owners and improve their financial position.

Supporting Business Expansion

A subscription service operator

The company has developed a subscription service specializing in luxury brand wristwatches and have steadily increased membership while tapping into potential demand from a wide range of age groups. In order to develop an extensive product lineup as a differentiating factor, the company should constantly make upfront investments to expand its product inventory. However, as a venture company, financing was a constraint on their growth. The Bank cooperated with Showa Leasing to provide equity fund and product inventory, thereby the issue of product lineups, which had been a bottleneck for further increase in the number of members, has been resolved. The company's ability to procure products has been greatly strengthened, and the system to deliver products to a diverse range of users in a timely manner has been established. We believe this is an example of effective support that enables Shinsei Bank Group to respond to corporate needs at the growth stage as a Group.

Supporting Regional Revitalization and Business Revitalization

A regional hotel

The local companies and residents owned a portion of the hotel's shares, and the residents supported it as a community center. However, as a result of the succession of hotel development in neighboring urban areas and the deterioration of business performance due to natural disasters and excessive borrowing, management rights were transferred to the third party. The Bank, which has been entrusted with financial advisory services related to the transfer of management rights, has succeeded in achieving the transfer of management rights by matching major hotel chains that are able to attract customers as sponsor candidates. Under the leadership of a new manager who was dispatched by the new management company, the hotel has made a start on the rebirth, launching countermeasures against COVID-19 infections.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our consolidated and nonconsolidated interim financial statements prepared in accordance with accounting principles generally accepted in Japan (Japanese GAAP) for banks, including the notes to those interim financial statements, included elsewhere in this interim report.

Unless otherwise indicated, the financial information in the following discussion is based on our interim consolidated financial statements.

In this section, except where the context indicates otherwise, "we" or "our" means Shinsei Bank, Limited, its subsidiaries and its affiliates accounted for by the equity method and "Shinsei" or "the Bank" refers to Shinsei Bank on a nonconsolidated basis.

Financial and operational figures less than ¥0.1 billion have been truncated, except for claims classified under the Financial Revitalization Law, amount of less than ¥0.1 billion have been rounded. All percentages have been rounded to the nearest 0.1% unless otherwise noted.

Fiscal year 2020 refers to the consolidated accounting period ended March 31, 2021, and other accounting periods are denoted in the same manner. The term "current fiscal year" refers to fiscal year 2019 and the term "previous fiscal year" refers to fiscal year 2019. The term the "first half" refers to the period from April 1 to September 30 of each indicated fiscal year and the term the "second half" refers to the period from October 1 to March 31 of each indicated fiscal year.

OVERVIEW

Shinsei Bank, Limited, is a leading diversified Japanese financial institution providing a full range of financial products and services to both institutional and individual customers. Our operations are organized into three business groups: the Institutional Business.

- In our Institutional businesses, in order to provide financial products and services that meet the needs of our customers through a strategic and systematically organized business promotion structure, the operations of the Institutional Business are focused primarily on the provision of financial institution, corporate and public sector financing and advisory services and global markets business.
- The operations of the Individual Business consist of the retail banking business and the consumer finance business. In the retail banking business the Bank is continuing efforts to improve the convenience of services aimed at fulfilling the needs of our customers. In the consumer finance business, the Bank is engaged in the provision of unsecured personal loans through the Bank, Shinsei Financial Co., Ltd. (Shinsei Financial) and Shinsei Personal Loan Co., Ltd. (Shinsei Personal Loan) as well as the provision of installment sales credit, credit card and settlement services through APLUS FINANCIAL Co., Ltd. (APLUS FINANCIAL).

FINANCIAL SUMMARY FOR THE INTERIM PERIOD ENDED SEPTEMBER 30, 2020

Net income attributable to owners of the parent for the first half of fiscal year 2020 (from April 1, 2020 to September 30, 2020) totaled ¥13.3 billion, down ¥14.8 billion from the first half of fiscal year 2019. This first half result equates to 39.1% progress toward the Bank's fiscal year 2020 net income forecast of ¥34.0 billion.

Total revenue for the first half of fiscal year 2020 totaled ¥110.2 billion, down ¥11.2 billion from the first half of fiscal year 2019. This amount included ¥61.8 billion in net interest income, down ¥4.9 billion from ¥66.7 billion recorded in the first half of fiscal year 2019. This decrease was mainly attributable to less interest income resulting from lower interest rates overseas and less interest income earned in the unsecured card loan business targeting individuals. Furthermore, noninterest income totaled ¥48.4 billion, down ¥6.3 billion from ¥54.7 billion recorded in the first half of fiscal year 2019. This was mainly because the following three factors more than offset the growth in core businesses, such as APLUS FINANCIAL's shopping credit business. Specifically, non-recurrence of gains on the sale of shares owned which were posted in the Institutional Business in the first half of fiscal year 2019, less fee income and derivatives-related income, and less income from the sales of asset management products in Retail Banking.

General administrative expenses excluding amortization of goodwill and intangible assets totaled ¥72.8 billion, down ¥1.1 billion from the first half of fiscal year 2019. The decrease was achieved by cost reduction efforts centered on IT-system-related expenses.

Net credit costs for the first half of fiscal year 2020 totaled ¥17.4 billion, up ¥0.9 billion from ¥16.5 billion recorded in the first half of fiscal year 2019. While smaller loan-loss reserves were set aside in the unsecured card loan business targeting individuals, greater loan-loss reserves were set aside in the institutional business, due to the deterioration in performance of borrowers caused by the COVID-19 expansion.

OVERVIEW (CONTINUED)

The balance of loans and bills discounted as of September 30, 2020 totaled ¥5,204.1 billion, up ¥93.7 billion from the ¥5,110.4 billion recorded on March 31, 2020. This was due to an increase in the balance of loans in the Structured Finance, while the balance of loans in the Consumer Finance business decreased. Moreover, the Bank's inclusion of UDC Finance Limited as its subsidiary (effective September 1, 2020) contributed to the increase in the balance of loans.

Net interest margin for the first half of fiscal year 2020 was 2.31%, down from 2.48% recorded in the first half of fiscal year 2019. This was because the fall in the yield on total interest-earning assets more than offset the fall in funding costs, primarily due to the impacts of lower interest rates overseas.

The Basel III domestic standard (grandfathering basis) consolidated core capital adequacy ratio as of September 30, 2020 was 10.92%, compared to 11.21% as of March 31, 2020. While core capital remained flat, risk assets increased due to the Bank's inclusion of UDC Finance Limited as its subsidiary. While the Bank's Basel III international standard (fully loaded basis) Common Equity Tier 1 Ratio decreased from 11.3% at March 31, 2020 to 11.0% as of September 30, 2020, the capital adequacy ratios continue to be maintained at adequate levels.

The nonperforming loan balance (nonconsolidated basis) under the Financial Revitalization Law increased from ¥17.6 billion as of March 31, 2020 to ¥33.8 billion as of September 30, 2020. The ratio of nonperforming claims to the total loan balance was 0.64% as of September 30, 2020, compared to 0.34% as of March 31, 2020, which remains at a low level.

Significant Events

Share Buyback

Based on a buyback resolution made at meetings of the Board of Directors, Shinsei Bank purchased 10,294,700 shares, totaling ¥13,599 million from the market at the Tokyo Stock Exchange during the period from May 14, 2020 to October 31, 2020.

Acquisition of UDC Finance Limited shares (its inclusion as the Bank's subsidiary)

Effective September 1, 2020, Shinsei Bank acquired all issued and outstanding shares (100%) of UDC Finance Limited (Auckland, New Zealand; CEO: Wayne Percival; "UDC") held by ANZ Bank New Zealand Limited. With its strong customer base and marketing framework, covering both individual and corporate customers, UDC is the largest non-bank financial institution in New Zealand,

having strengths in auto loans for individual customers, asset-backed financing for corporate customers (logistics, forestry, construction companies, etc.) and inventory financing for automobile dealers. "Small-scale finance" business has been one of the focus areas of the Shinsei Bank Group's Medium-Term Strategies. Leveraging the expertise of Showa Leasing Co., Ltd. and APLUS Co., Ltd., which are engaged in businesses similar to UDC in Japan, UDC will strive to provide even better financial services to its New Zealand customers.

Inclusion of APLUS FINANCIAL Co., Ltd. as the Bank's subsidiary: Delisting of APLUS FINANCIAL Co., Ltd.

At its meeting of the Board of Directors held on October 30, 2020, Shinsei Bank adopted a resolution demanding that non-controlling shareholders of its consolidated subsidiary APLUS FINANCIAL Co., Ltd. ("Target Company") sell all common shares of the Target Company to Shinsei Bank ("Mandatory Share Sale Request"). A notice to this effect was provided to the Target Company on same day. In response to this notice, the Board of Directors of the Target Company adopted a resolution to accept the Mandatory Share Sale Request on the same day. As a result of this acceptance, the Target Company was delisted from the Tokyo Stock Exchange on November 27, 2020, because acceptance of the Mandatory Share Sale Request fell within the purview of delisting standards of the Tokyo Stock Exchange First Section.

Shinsei Bank has positioned the Target Company as a strategic subsidiary in the settlement business, as well as the "small-scale finance" business, for the Shinsei Bank Group. In this regard, it has worked with the Target Company to focus on promoting co-creation of value, as well as the "small-scale finance" business, which are also stated goals in its Medium-Term Strategies. Furthermore, Shinsei Bank has also realized that, because the Target Company is a listed company, it needs to cater not only to the interests of the Shinsei Bank Group, but also to the expectations of capital markets. This fact has made it difficult to ensure the total optimization of the Shinsei Bank Group. Shinsei Bank has therefore decided to make the Target Company its wholly owned subsidiary. This will allow optimization of group-based resources, as well as enable the Bank to focus its decision-making towards further promoting its Medium-Term Strategies. This should hopefully facilitate achieving a higher level of corporate governance throughout the Shinsei Bank Group via our group headquarters, which was established in 2017.

SELECTED FINANCIAL DATA (CONSOLIDATED)

Shinsei Bank, Limited and its Consolidated Subsidiaries

As of and for the six months ended September 30, 2020 and 2019 and as of and for the fiscal year ended March 31, 2020

Billions of yen (except per share data and percentages)

	Sept. 30, 2020 (6 months)	Sept. 30, 2019 (6 months)	Mar. 31, 2020 (1 year)
Statements of income data:			
Net interest income	¥ 61.8	¥ 66.7	¥ 133.5
Net fees and commissions	13.5	15.6	32.4
Net trading income	2.3	5.0	15.8
Net other business income	32.4	34.0	58.2
Total revenue	110.2	121.5	239.9
General and administrative expenses	72.8	74.0	150.0
Amortization of goodwill and intangible assets acquired in business combinations	1.2	1.1	2.4
Total general and administrative expenses	74.1	75.2	152.4
Net credit costs (recoveries)	17.4	16.5	39.1
Net business profit after net credit costs (recoveries)	18.6	29.7	48.3
Other gains (losses), net	1.0	1.4	0.8
Income before income taxes	19.7	31.2	49.2
Current income taxes	2.9	1.3	4.1
Deferred income taxes (benefit)	3.5	1.8	(0.0)
Profit attributable to noncontrolling interests	(0.0)	(0.1)	(0.4)
Profit attributable to owners of the parent	¥ 13.3	¥ 28.1	¥ 45.5
Balance sheet data:			
Trading assets	¥ 201.0	¥ 226.4	¥ 213.7
Securities	853.2	1,053.0	957.0
Loans and bills discounted	5,204.1	5,002.6	5,110.4
Customers' liabilities for acceptances and guarantees	544.2	501.9	526.5
Reserve for credit losses	(109.6)	(98.5)	(107.9)
Total assets	10,323.9	9,840.7	10,226.5
Deposits, including negotiable certificates of deposit	6,393.9	5,926.3	6,305.1
Trading liabilities	172.8	200.6	183.9
Borrowed money	880.4	679.5	881.9
Acceptances and guarantees	544.2	501.9	526.5
Total liabilities	9,410.9	8,929.5	9,316.0
Common stock	512.2	512.2	512.2
Total equity	913.0	911.2	910.4
Total liabilities and equity	¥ 10,323.9	¥ 9,840.7	¥ 10,226.5
Per share data:			
Common equity ⁽¹⁾	¥ 4,043.30	¥ 3,774.10	¥ 3,913.40
Basic earnings per share	58.35	115.80	190.59
Diluted earnings per share	58.34	115.79	190.55
Capital adequacy data:			
Capital ratio (Basel III, Domestic Standard) ⁽³⁾	10.9%	11.6%	11.2%
Average balance data:			
Securities	¥ 927.7	¥ 1,065.1	¥ 1,026.4
Loans and bills discounted	5,142.6	4,982.5	5,052.9
Total assets	10,275.2	9,705.9	9,898.8
Interest-bearing liabilities	8,140.7	7,828.2	7,937.1
Total liabilities	9,363.5	8,802.0	8,995.3
Total equity	911.7	903.9	903.5
Other data:			
Return on assets	0.3%	0.6%	0.5%
Return on equity ⁽¹⁾	2.9%	6.3%	5.1%
Ratio of deposits, including negotiable certificates of deposit, to total liabilities	67.9%	66.3%	67.6%
Expense-to-revenue ratio ⁽²⁾	66.1%	60.9%	62.5%
Nonperforming claims, nonconsolidated	¥ 33.8	¥ 18.7	¥ 17.6
Ratio of nonperforming claims to total claims, nonconsolidated	0.6%	0.4%	0.3%

Note: (1) Stock acquisition rights and noncontrolling interests are excluded from equity.

(2) The expense-to-revenue ratio is calculated by dividing general and administrative expenses by total revenue.

(3) In the calculation of the consolidated capital adequacy ratio as of Sep 30, 2019, parameter estimates applied to some exposures are adjusted for the fiscal year ending March 2019..

RESULTS OF OPERATIONS (CONSOLIDATED)

NET INTEREST INCOME

Net interest income was ¥61.8 billion in the first half of fiscal year 2020, down ¥4.9 billion from ¥66.7 billion recorded in the first half of fiscal year 2019.

The decrease was due to less interest income caused by lower interest rates overseas and smaller interest income earned in the unsecured card loan business targeting individuals.

NET REVENUE ON INTEREST-EARNING ASSETS

The table below shows the principal components of net revenue on interest-earning assets.

TABLE 1. INTEREST-EARNING ASSETS AND INTEREST-BEARING LIABILITIES (CONSOLIDATED)

	Billions of yen (except Yield/Rates)					
	Six months ended September 30, 2020			Six months ended September 30, 2019		
	Average Balance	Interest	Yield/Rate ⁽⁴⁾	Average Balance	Interest	Yield/Rate ⁽⁴⁾
Interest-earning assets:						
Loans and bills discounted	¥ 5,142.6	¥ 64.5	2.50%	¥ 4,982.5	¥ 70.1	2.82%
Lease receivables and leased investment assets/ installment receivables	914.4	20.5	4.49	781.5	19.9	5.11
Securities	927.7	3.1	0.67	1,065.1	5.0	0.96
Other interest-earning assets ⁽¹⁾	212.9	1.0	n.m.	243.6	1.4	n.m.
Total revenue on interest-earning assets (A)	¥ 7,197.8	¥ 89.3	2.48%	¥ 7,072.9	¥ 96.7	2.73%
Interest-bearing liabilities:						
Deposits, including negotiable certificates of deposit	¥ 6,231.5	¥ 2.3	0.07%	¥ 5,830.7	¥ 2.7	0.10%
Borrowed money	950.2	1.5	0.33	720.7	1.3	0.36
Corporate bonds	188.3	0.2	0.25	86.4	0.1	0.26
Other interest-bearing liabilities ⁽¹⁾	770.4	2.7		1,190.2	5.7	n.m.
Total expense on interest-bearing liabilities (B)	¥ 8,140.7	¥ 6.8	0.17%	¥ 7,828.2	¥ 9.9	0.25%
Net interest margin (A) - (B)	—	82.4	2.31%	—	86.7	2.48%
Noninterest-bearing sources of funds:						
Noninterest-bearing (assets) liabilities, net	¥ (1,846.4)	—	—	¥ (1,654.0)	—	—
Total equity excluding noncontrolling interests ⁽²⁾	903.5	—	—	898.7	—	—
Total noninterest-bearing sources of funds (C)	¥ (942.8)	—	—	¥ (755.2)	—	—
Total interest-bearing liabilities and noninterest-bearing sources of funds (D) = (B) + (C)	¥ 7,197.8	¥ 6.8	0.19%	¥ 7,072.9	¥ 9.9	0.28%
Net revenue on interest-earning assets/ yield on interest-earning assets (A) - (D)	—	¥ 82.4	2.29%	—	¥ 86.7	2.45%
Reconciliation of total revenue on interest-earning assets to total interest income						
Total revenue on interest-earning assets	¥ 7,197.8	¥ 89.3	2.48%	¥ 7,072.9	¥ 96.7	2.73%
Less: Income on lease transactions and installment receivables	914.4	20.5	4.49	781.5	19.9	5.11
Total interest income	¥ 6,283.3	¥ 68.7	2.18%	¥ 6,291.3	¥ 76.7	2.44%
Total interest expenses	—	6.8	—	—	9.9	—
Net interest income	—	¥ 61.8	—	—	¥ 66.7	—

Notes: (1) Other interest-earning assets and other interest-bearing liabilities include interest swaps and funding swaps.

(2) Represents a simple average of the balance as of the beginning and the end of the presented period.

(3) n.m. is not meaningful.

(4) Percentages have been rounded from the third decimal place.

The item "Net interest income (including leased assets and installment receivables)" in the preceding table includes net interest revenue as well as revenue earned on lease receivables, leased investment assets and installment receivables. However, while the Bank considers income recorded from lease transactions and installment receivables to be a component of interest income,

Japanese GAAP does not recognize income on lease transactions and installment receivables as a component of net interest income. Therefore, in our interim consolidated statements of income, income on lease transactions and installment receivables is reported in net other business income in accordance with Japanese GAAP.

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

Net interest margin was 2.31% compared to 2.48% recorded in the first half of fiscal year 2019 for the following reasons. Specifically, while the yield on total interest-earning assets and the yield on deposits and negotiable deposits both declined due to lower interest rates overseas, the former factor more than offset the latter factor.

Interest income including lease and installment accounts receivables decreased to ¥82.4 billion from ¥86.7 billion recorded in the first half of fiscal year 2019 for the following reasons. Specifically, although total interest expenses on interest-bearing liabilities decreased to ¥6.8 billion from ¥9.9 billion recorded in the first half of fiscal year 2019, total interest income on interest-earning assets also decreased to ¥89.3 billion from ¥96.7 billion recorded in the first half of fiscal year 2019.

NET TRADING INCOME

The table below shows the principal components of net trading income.

TABLE 2. NET TRADING INCOME (CONSOLIDATED)

	Billions of yen		
	Six months ended September 30, 2020	Six months ended September 30, 2019	Change (Amount)
Income from trading securities	¥ 0.8	¥ 1.4	¥ (0.5)
Income (loss) from securities held to hedge trading transactions	0.0	0.4	(0.4)
Income from trading-related financial derivatives	1.4	2.7	(1.2)
Other, net	—	0.3	(0.3)
Net trading income	¥ 2.3	¥ 5.0	¥ (2.6)

Net trading income is comprised of customer derivative transaction related revenues as well as revenues recorded from proprietary trading undertaken by the Bank. Net

NET FEES AND COMMISSIONS

Net fees and commissions mainly consist of fee income from the lending business such as real estate finance and project finance, fee income associated with sales of mutual funds and insurance products, credit guarantee income from the consumer finance business and fee income from the payment business. Net fees and commissions in the first half of fiscal year 2020 totaled ¥13.5 billion compared to ¥15.6 billion recorded in the first half of fiscal year 2019. This was primarily due to a decrease in fee income from the Institutional Business and a decrease in fee income from the sales of asset management products in Retail Banking.

trading income in the interim period ended September 30, 2020 totaled ¥2.3 billion, decreased from ¥5.0 billion recorded in the interim period ended September 30, 2019.

NET OTHER BUSINESS INCOME (LOSS)

The table below shows the principal components of net other business income.

TABLE 3. NET OTHER BUSINESS INCOME (LOSS) (CONSOLIDATED)

	Billions of yen		
	Six months ended September 30, 2020	Six months ended September 30, 2019	Change (Amount)
Net gain on monetary assets held in trust	¥ 1.8	¥ 1.6	¥ 0.1
Net gain on foreign exchanges	3.7	0.6	3.0
Net gain on securities	2.5	8.1	(5.6)
Net gain on other monetary claims purchased	0.0	0.2	(0.1)
Other, net:	3.6	3.2	0.4
Income (loss) from derivative transactions for banking purpose, net	0.0	(0.0)	0.0
Equity in net income of affiliates	1.7	1.4	0.2
Gain on lease cancellation and other lease income (loss), net	0.9	0.9	0.0
Other, net	0.9	0.8	0.0
Net other business income before income on lease transactions and installment receivables, net	11.8	14.0	(2.1)
Income on lease transactions and installment receivables, net	20.5	19.9	0.6
Net other business income	¥ 32.4	¥ 34.0	¥ (1.5)

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

Net other business income in the first half of fiscal year 2020 totaled ¥32.4 billion compared to ¥34.0 billion recorded in the first half of fiscal year 2019. This was because the decrease in "Net gain on securities" more than offset the increases in "Net gain on foreign exchanges" and "Equity in net income of affiliates."

TOTAL REVENUE

As a result of the preceding, total revenue of ¥110.2 billion was recorded in the interim period ended September 30, 2020, compared to ¥121.5 billion recorded during the interim period ended September 30, 2019.

GENERAL AND ADMINISTRATIVE EXPENSES

The table below sets forth the principal components of our general and administrative expenses.

TABLE 4. GENERAL AND ADMINISTRATIVE EXPENSES (CONSOLIDATED)

	Billions of yen		
	Six months ended September 30, 2020	Six months ended September 30, 2019	Change (Amount)
Personnel expenses	¥ 29.6	¥ 28.9	¥ 0.6
Premises expenses	9.5	10.0	(0.5)
Technology and data processing expenses	12.3	12.5	(0.2)
Advertising expenses	4.9	5.2	(0.3)
Consumption and property taxes	5.3	4.7	0.5
Deposit insurance premium	0.7	0.7	(0.0)
Other general and administrative expenses	10.4	11.6	(1.2)
General and administrative expenses	72.8	74.0	(1.1)
Amortization of goodwill and intangible assets acquired in business combinations	1.2	1.1	0.1
Total general and administrative expenses	¥ 74.1	¥ 75.2	¥ (1.0)

General administrative expenses excluding amortization of goodwill and intangible assets totaled ¥72.8 billion in the first half of fiscal year 2020, down from ¥74.0 billion recorded in the first half of fiscal year 2019 for the following reasons. While we aimed at expanding in strategic areas, we were freed from the temporary burden of office reorganization and realignment of the IT-system environment. Furthermore, marketing activities were reduced in scale.

Personnel expenses in the first half of fiscal year 2020 totaled ¥29.6 billion, up from ¥28.9 billion recorded in the first half of fiscal year 2019 for the following reasons. Specifically, the full-term impacts of subsidiaries which became subject to consolidated financial reporting in the first half of fiscal year 2019 and increase in personnel aimed at customer base expansion and stronger earnings power in the focus areas.

Non-personnel expenses in the first half of fiscal year 2020 totaled ¥43.2 billion, down from ¥44.7 billion recorded in the first half of fiscal year 2019. This decrease in non-personnel expenses included the decrease in premises-related expenses to ¥9.5 billion from ¥10.0 billion

in the first half of fiscal year 2019, achieved by a smaller temporary burden from branch reorganization and rent reduction. Furthermore, telecommunication, data and IT system expenses in the first half of fiscal year 2020 totaled ¥12.3 billion, down from ¥12.5 billion recorded in the first half of fiscal year 2019 because of slower progress in call center management and various IT systems development.

Advertisement expenses in the first half of fiscal year 2020 decreased to ¥4.9 billion from ¥5.2 billion recorded in the first half of fiscal year 2019, due to the decrease in advertisement expenses for attracting new customers.

Consumption tax and property tax in the first half of fiscal year 2020 increased to ¥5.3 billion from ¥4.7 billion recorded in the first half of fiscal year 2019, primarily due to the increased consumption tax rate.

Deposit insurance premiums in the first half of fiscal year 2020 totaled ¥0.7 billion, remaining flat from the same amount recorded in the first half of fiscal year 2019.

Other expenses in the first half of fiscal year 2020 totaled ¥10.4 billion compared to ¥11.6 billion recorded in the first half of fiscal year 2019 due to a smaller temporary burden from realignment of the IT-system environment and reduced marketing activities.

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

AMORTIZATION OF GOODWILL AND INTANGIBLE ASSETS ACQUIRED IN BUSINESS COMBINATIONS

Amortization of goodwill and intangible assets associated with the acquisition of consumer finance and commercial finance subsidiaries totaled ¥1.2 billion in the first half of fiscal year 2020, up from ¥1.1 billion recorded in the

first half of fiscal year 2019. The increase is primarily due to the accrual of goodwill related to Zenkoku Rent Guarantor Service Co., Ltd. which was made the Bank's consolidated subsidiary in fiscal year 2019.

TABLE 5. AMORTIZATION OF GOODWILL AND INTANGIBLE ASSETS ACQUIRED IN BUSINESS COMBINATIONS (CONSOLIDATED)

	Billions of yen		
	Six months ended September 30, 2020	Six months ended September 30, 2019	Change (Amount)
Shinsei Financial	¥ 0.1	¥ 0.1	¥ 0.0
Shinsei Personal Loan	(0.1)	(0.1)	—
Showa Leasing	1.1	1.1	(0.0)
Others	0.1	0.0	0.1
Amortization of goodwill and intangible assets acquired in business combinations	¥ 1.2	¥ 1.1	¥ 0.1

NET CREDIT COSTS (RECOVERIES)

The following table details the principal components of net credit costs (recoveries).

TABLE 6. NET CREDIT COSTS (RECOVERIES) (CONSOLIDATED)

	Billions of yen		
	Six months ended September 30, 2020	Six months ended September 30, 2019	Change (Amount)
Losses on write-off or sales of loans	¥ 1.6	¥ 0.2	¥ 1.3
Net provision of reserve for loan losses:			
Net provision of general reserve for loan losses	10.7	9.3	1.4
Net provision of specific reserve for loan losses	8.3	10.1	(1.8)
Subtotal	19.1	19.4	(0.3)
Other credit costs (recoveries) relating to leasing business	0.0	0.0	0.0
Recoveries of written-off claims	(3.3)	(3.2)	(0.0)
Net credit costs (recoveries)	¥ 17.4	¥ 16.5	¥ 0.9

The principal components of net credit costs are provisions and reversals of reserves for loan losses. In accordance with Japanese GAAP, the Bank maintains general and specific reserves for loan losses, specified reserves for loans losses to restructuring countries as well as a specific reserve for other credit losses. Subsidiaries such as Shinsei Financial, APLUS FINANCIAL, Shinsei Personal Loan and Showa Leasing also maintain general and specific reserves for loan losses.

Net credit costs in the first half of fiscal year 2020 totaled ¥17.4 billion, up from ¥16.5 billion recorded in the first half of fiscal year 2019. The main cause of expenses was as follows: While a smaller amount was set aside as loan-loss reserves in the unsecured card loan business

targeting individuals, a greater amount was set aside as loan-loss reserves in preparing for the deterioration in performance of borrowers due to the COVID-19 expansion.

Recoveries of written-off claims in the first half of fiscal year 2020 were ¥3.3 billion, compared to ¥3.2 billion recorded in the first half of fiscal year 2019. The key components of the recoveries of written-off claims in the first half of fiscal year 2020 were ¥0.6 billion at APLUS FINANCIAL Co., Ltd., ¥0.1 billion at Shinsei Bank Limited on a nonconsolidated basis and ¥2.7 billion at Shinsei Financial Co., Ltd., respectively. Net credit costs excluding recoveries of written-off claims totaled ¥20.7 billion in the first half of fiscal year 2020, compared to ¥19.7 billion recorded in the first half of fiscal year 2019.

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)**OTHER GAINS (LOSSES), NET**

Other net gains totaled ¥1.0 billion in the interim period ended September 30, 2020, decreased compared to other net gains of ¥1.4 billion recorded in the interim period ended September 30, 2019.

TABLE 7. OTHER GAINS (LOSSES), NET (CONSOLIDATED)

	Billions of yen		
	Six months ended September 30, 2020	Six months ended September 30, 2019	Change (Amount)
Net gain (loss) on disposal of premises and equipment	¥ —	¥ —	¥ —
Gains on write-off of unclaimed debentures	—	—	—
Provision of reserve for reimbursement of debentures	—	—	—
Gains on write-off of unclaimed deposits	—	—	—
Provision of reserve for reimbursement of deposits	—	—	—
Reversal (provision) of reserve for losses on interest repayments	0.9	1.2	(0.2)
Impairment losses on long-lived assets	(0.2)	(0.2)	(0.0)
Loss on change in equity of affiliates	—	(0.2)	0.2
Loss on liquidation of subsidiaries	—	—	—
Gains from bargain purchase	—	—	—
Other, net	0.3	0.7	(0.3)
Total	¥ 1.0	¥ 1.4	¥ (0.3)

INCOME BEFORE INCOME TAXES

As a result of the preceding factors, income before taxes recorded in the interim period ended September 30, 2020, totaled ¥19.7 billion, compared to ¥31.2 billion recorded in the interim period ended September 30, 2019.

INCOME TAXES (BENEFIT)

Current taxes, including corporate tax, residency tax, business tax and deferred tax totaled a net expense of ¥6.5 billion in the first half of fiscal year 2020, compared to a net expense of ¥3.1 billion recorded in the first half of fiscal year 2019. Deferred tax expense increased because deferred tax assets were partially reversed according to the profit plan.

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

As a result of the preceding factors, the Bank recorded a profit attributable to owners of the parent totaling ¥13.3 billion in the interim period ended September 30, 2020, increased compared to ¥28.1 billion recorded in the interim period ended September 30, 2019.

RECONCILIATION OF REPORTED-BASIS AND OPERATING-BASIS RESULTS

In addition to analyzing the results of its operations in the format used in its financial statements, referred to as the "reported basis," Shinsei Bank also engages in the management of its organization utilizing an "operating-basis" assessment of individual business lines in evaluating achieved results against targeted goals. Operating-basis results are generally calculated by adjusting the reported-basis results for amortization of goodwill and intangible assets acquired in business combinations, certain revenue items, amortization of net actuarial gains or losses on lump-sum retirement payments and extraordinary expenses. In general, operating-basis results represent what the Bank considers to be "core" portion of its reported profit attributable to owners of the parent is in compliance with Japanese GAAP. The following table reconciles the Bank's reported-basis and operating-basis results.

TABLE 8. RECONCILIATION FROM REPORTED-BASIS RESULTS TO OPERATING-BASIS RESULTS (CONSOLIDATED)

	Billions of yen					
	Six months ended September 30, 2020			Six months ended September 30, 2019		
	Reported-basis	Reclassifications	Operating-basis	Reported-basis	Reclassifications	Operating-basis
Revenue:						
Net interest income	¥ 61.8	¥ —	¥ 61.8	¥ 66.7	¥ —	¥ 66.7
Noninterest income	48.4	—	48.4	54.7	—	54.7
Total revenue	110.2	—	110.2	121.5	—	121.5
General and administrative expenses ⁽¹⁾	72.8	(0.1)	72.7	74.0	(0.2)	73.8
Amortization of goodwill and intangible assets	1.2	(1.2)	—	1.1	(1.1)	—
Total general and administrative expenses	74.1	(1.4)	72.7	75.2	(1.3)	73.8
Net business profit/Ordinary business profit	36.1	1.4	37.5	46.3	1.3	47.6
Net credit costs (recoveries)	17.4	—	17.4	16.5	—	16.5
Amortization of goodwill and intangible assets	—	1.2	1.2	—	1.1	1.1
Other gains (losses), net ⁽¹⁾	1.0	(0.1)	0.9	1.4	(0.2)	1.2
Income before income taxes	19.7	—	19.7	31.2	—	31.2
Income taxes and profit attributable to noncontrolling interests	6.4	—	6.4	3.0	—	3.0
Profit attributable to owners of the parent	¥ 13.3	¥ —	¥ 13.3	¥ 28.1	¥ —	¥ 28.1

Notes: (1) Reclassifications consist principally of adjustments relating to lump-sum compensation and amortization of actuarial gains or losses from general and administrative expenses to other gains (losses), net.

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

BUSINESS LINES RESULTS

Management monitors the performance of each business line on an operating-basis. The following section details the operating-basis ordinary business profit (loss) after net credit costs (recoveries) on a business line level.

TABLE 9. OPERATING-BASIS ORDINARY BUSINESS PROFIT (LOSS) AFTER NET CREDIT COSTS (RECOVERIES) BY BUSINESS LINE (CONSOLIDATED) ⁽¹⁾

	Billions of yen		
	Six months ended September 30, 2020	Six months ended September 30, 2019	Change (Amount)
Institutional Group:			
Net interest income	¥ 14.1	¥ 13.8	¥ 0.2
Noninterest income	17.3	23.3	(6.0)
Total revenue	31.4	37.2	(5.8)
General and administrative expenses	21.0	21.0	(0.0)
Ordinary business profit (loss)	10.4	16.2	(5.8)
Net credit costs (recoveries)	6.6	2.4	4.1
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 3.8	¥ 13.7	¥ (9.9)
Individual Group:			
Net interest income	¥ 51.0	¥ 52.0	¥ (0.9)
Noninterest income	26.7	25.8	0.9
Total revenue	77.7	77.8	(0.0)
General and administrative expenses	50.5	50.6	(0.1)
Ordinary business profit (loss)	27.2	27.1	0.0
Net credit costs (recoveries)	10.8	14.0	(3.2)
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 16.3	¥ 13.0	¥ 3.3
Corporate/Other⁽²⁾:			
Net interest income	¥ (3.2)	¥ 0.8	¥ (4.1)
Noninterest income	4.3	5.5	(1.1)
Total revenue	1.0	6.4	(5.3)
General and administrative expenses	1.1	2.1	(0.9)
Ordinary business profit (loss)	(0.1)	4.2	(4.3)
Net credit costs (recoveries)	(0.0)	0.0	(0.0)
Ordinary business profit (loss) after net credit costs (recoveries)	¥ (0.1)	¥ 4.2	¥ (4.3)
Total:			
Net interest income	¥ 61.8	¥ 66.7	¥ (4.9)
Noninterest income	48.4	54.7	(6.3)
Total revenue	110.2	121.5	(11.2)
General and administrative expenses	72.7	73.8	(1.1)
Ordinary business profit (loss)	37.5	47.6	(10.1)
Net credit costs (recoveries)	17.4	16.5	0.9
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 20.0	¥ 31.1	¥ (11.0)

Notes: (1) Costs associated with the funding operations have been allocated to the interest earning businesses on a management accounting basis.

(2) includes company-wide accounts which are not included in our reportable segments, allocation variance of indirect expense and elimination amount of intersegment transactions.

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

INSTITUTIONAL BUSINESS

The Institutional Business consists of: 1) Corporate Business, which provides financial products and services to the Bank's corporate, public corporation and financial institution customers; 2) Structured Finance, which provides services including real estate finance and project finance; 3) Principal Transactions, which is engaged in businesses such as credit trading, private equity and asset-backed investment businesses; and 4) Showa Leasing, which provides financial products and services centered on leases; 5) Markets Business, which provides foreign exchange, derivatives, and other capital markets business; and 6) Other Global Markets, which is made up of the asset management business, wealth management business, and Shinsei Securities.

TABLE 10. INSTITUTIONAL BUSINESS ORDINARY BUSINESS PROFIT (LOSS) AFTER NET CREDIT COSTS (RECOVERIES) BY BUSINESS/SUBSIDIARY (CONSOLIDATED)

	Billions of yen		
	Six months ended September 30, 2020	Six months ended September 30, 2019	Change (Amount)
Corporate Business:			
Net interest income	¥ 5.7	¥ 5.0	¥ 0.6
Noninterest income	1.6	5.7	(4.1)
Total revenue	7.3	10.8	(3.5)
General and administrative expenses	5.8	6.3	(0.4)
Ordinary business profit (loss)	1.4	4.4	(3.0)
Net credit costs (recoveries)	0.9	1.1	(0.1)
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 0.4	¥ 3.3	¥ (2.8)
Structured Finance:			
Net interest income	¥ 6.2	¥ 5.7	¥ 0.5
Noninterest income	3.4	3.1	0.3
Total revenue	9.7	8.8	0.8
General and administrative expenses	4.5	4.1	0.3
Ordinary business profit (loss)	5.1	4.6	0.5
Net credit costs (recoveries)	5.0	1.3	3.6
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 0.1	¥ 3.2	¥ (3.1)
Principal Transactions:			
Net interest income	¥ 1.3	¥ 1.3	¥ (0.0)
Noninterest income	2.6	3.3	(0.6)
Total revenue	4.0	4.7	(0.7)
General and administrative expenses	2.0	2.0	(0.0)
Ordinary business profit (loss)	2.0	2.6	(0.6)
Net credit costs (recoveries)	0.2	0.0	0.2
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 1.7	¥ 2.6	¥ (0.8)
Showa Leasing:			
Net interest income	¥ 0.0	¥ (0.1)	¥ 0.2
Noninterest income	7.1	7.0	0.0
Total revenue	7.2	6.9	0.3
General and administrative expenses	5.5	5.1	0.4
Ordinary business profit (loss)	1.7	1.8	(0.0)
Net credit costs (recoveries)	0.3	(0.0)	0.3
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 1.4	¥ 1.8	¥ (0.4)
Markets:			
Net interest income	¥ 0.5	¥ 1.5	¥ (0.9)
Noninterest income	1.6	2.5	(0.8)
Total revenue	2.1	4.0	(1.8)
General and administrative expenses	1.6	1.6	(0.0)
Ordinary business profit (loss)	0.5	2.3	(1.7)
Net credit costs (recoveries)	—	(0.0)	0.0
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 0.5	¥ 2.3	¥ (1.7)
Other Global Markets:			
Net interest income	¥ 0.2	¥ 0.2	¥ (0.0)
Noninterest income	0.7	1.5	(0.8)
Total revenue	0.9	1.8	(0.9)
General and administrative expenses	1.4	1.5	(0.1)
Ordinary business profit (loss)	(0.5)	0.2	(0.7)
Net credit costs (recoveries)	0.0	(0.0)	0.0
Ordinary business profit (loss) after net credit costs (recoveries)	¥ (0.5)	¥ 0.2	¥ (0.8)
Institutional Business:			
Net interest income	¥ 14.1	¥ 13.8	¥ 0.2
Noninterest income	17.3	23.3	(6.0)
Total revenue	31.4	37.2	(5.8)
General and administrative expenses	21.0	21.0	(0.0)
Ordinary business profit (loss)	10.4	16.2	(5.8)
Net credit costs (recoveries)	6.6	2.4	4.1
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 3.8	¥ 13.7	¥ (9.9)

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

The Institutional Business recorded an ordinary business profit after net credit costs of ¥3.8 billion, compared to ¥13.7 billion recorded in the first half of fiscal year 2019. The Institutional Business recorded total revenue of ¥31.4 billion in the first half of fiscal year 2020, compared to ¥37.2 billion recorded in the first half of fiscal year 2019. Of this amount, net interest income totaled ¥14.1 billion, compared to ¥13.8 billion recorded in the first half of fiscal year 2019. Noninterest income totaled ¥17.3 billion, compared to ¥23.3 billion recorded in the first half of fiscal year 2019. While net interest income increased due to a steady increase in the balance of operating assets in Structured Finance, noninterest income decreased, primarily due to non-recurrence of gains on the sale of shares owned, which were posted in the first half of fiscal year 2019, and smaller trading revenue.

Of the Institutional Business, Corporate Business recorded total revenue of ¥7.3 billion, compared to ¥10.8 billion in the first half of fiscal year 2019. The decrease was primarily due to non-recurrence of gains on the sale of shares owned which were posted in the first half of fiscal year 2019.

Structured Finance recorded total revenue of ¥9.7 billion, compared to ¥8.8 billion recorded in the first half of fiscal year 2019. The increase was primarily due to an increase in net interest income resulting from a steady increase in operating assets.

Principal Transactions recorded total revenue of ¥4.0 billion, compared to ¥4.7 billion recorded in the first half of fiscal year 2019. The decrease was primarily due to a decrease in gains on sales of securities.

Showa Leasing recorded total revenue of ¥7.2 billion, compared to ¥6.9 billion recorded in the first half of fiscal year 2019. This increase was primarily due to the reduction of funding costs and inclusion of lease revenues earned by SHINKO LEASE which was made a subsidiary of Showa Leasing in the first half of fiscal year 2019.

Markets recorded total revenue of ¥2.1 billion, compared to ¥4.0 billion recorded in the first half of fiscal year 2019. This was primarily due to a decrease in trading revenues.

The Other Global Markets recorded total revenue of ¥0.9 billion, compared to ¥1.8 billion recorded in the first half of fiscal year 2019. The decrease was primarily due to a decrease in revenues from securities intermediary business.

General and administrative expenses in the Institutional Business totaled ¥21.0 billion, remaining flat from ¥21.0 billion recorded in the first half of fiscal year 2019. This was due to the efforts made to improve operational efficiency, while shifting managerial resources to focus areas.

Net credit costs in the Institutional Business totaled ¥6.6 billion, compared to ¥2.4 billion recorded in the first half of fiscal year 2019. This was primarily due to additional provisioning of loan-loss reserves preparing for the deterioration of obligors' performances due to the COVID-19 expansion.

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

INDIVIDUAL BUSINESS

The Individual Business consists of: 1) Retail Banking, which provides financial transactions and services to individuals; 2) Shinsei Financial, which engages in unsecured card loans and credit guarantees for individuals; 3) APLUS FINANCIAL, which provides shopping credit card loans and payment services; and 4) Other Individual, which is the results from other subsidiaries..

TABLE 11. INDIVIDUAL BUSINESS ORDINARY BUSINESS PROFIT (LOSS) AFTER NET CREDIT COSTS (RECOVERIES) BY BUSINESS/SUBSIDIARY (CONSOLIDATED)

	Billions of yen		
	Six months ended September 30, 2020	Six months ended September 30, 2019	Change (Amount)
Retail Banking:			
Net interest income	¥ 12.3	¥ 12.0	¥ 0.3
Loans	4.6	4.6	(0.0)
Deposits	7.6	7.3	0.3
Noninterest income	1.3	2.2	(0.9)
Asset management products	2.8	4.3	(1.4)
Other fees (ATM, Fund transfer, FX etc.)	(1.5)	(2.0)	0.4
Total revenue	13.6	14.2	(0.6)
General and administrative expenses	14.2	13.7	0.4
Ordinary business profit (loss)	(0.5)	0.5	(1.1)
Net credit costs (recoveries)	0.2	0.0	0.2
Ordinary business profit (loss) after net credit costs (recoveries)	¥ (0.8)	¥ 0.5	¥ (1.3)
Shinsei Financial⁽¹⁾:			
Net interest income	¥ 33.8	¥ 34.6	¥ (0.8)
Lake Business	31.1	31.7	(0.5)
Noninterest income	0.0	(0.5)	0.6
Total revenue	33.8	34.0	(0.1)
General and administrative expenses	16.1	16.8	(0.6)
Ordinary business profit (loss)	17.7	17.2	0.4
Net credit costs (recoveries)	4.6	6.9	(2.2)
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 13.0	¥ 10.3	¥ 2.7
APLUS FINANCIAL:			
Net interest income	¥ 4.3	¥ 4.9	¥ (0.5)
Noninterest income	24.6	23.9	0.7
Total revenue	29.0	28.8	0.1
General and administrative expenses	18.9	19.1	(0.2)
Ordinary business profit (loss)	10.0	9.6	0.4
Net credit costs (recoveries)	6.2	7.1	(0.8)
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 3.8	¥ 2.5	¥ 1.3
Other Individuals⁽²⁾:			
Net interest income	¥ 0.5	¥ 0.4	¥ 0.0
Noninterest income	0.7	0.1	0.5
Total revenue	1.2	0.6	0.6
General and administrative expenses	1.2	0.9	0.2
Ordinary business profit (loss)	0.0	(0.3)	0.3
Net credit costs (recoveries)	(0.3)	(0.0)	(0.3)
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 0.3	¥ (0.2)	¥ 0.6
Individual Business:			
Net interest income	¥ 51.0	¥ 52.0	¥ (0.9)
Noninterest income	26.7	25.8	0.9
Total revenue	77.7	77.8	(0.0)
General and administrative expenses	50.5	50.6	(0.1)
Ordinary business profit (loss)	27.2	27.1	0.0
Net credit costs (recoveries)	10.8	14.0	(3.2)
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 16.3	¥ 13.0	¥ 3.3

Notes: (1) Shinsei Financial includes "Shinsei Bank Card Loan L," Shinsei Personal Loan Co., Ltd., "Shinsei Bank Smart Card Loan Plus," and "Shinsei Bank Smart Money Lending" which are unsecured card loan business for individual customers. "Shinsei Bank Card Loan Lake" was renamed as "Shinsei Bank Card Loan L" on November 28, 2019.

(2) Including income of Other subsidiary

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

The Individual Business recorded an ordinary business profit after net credit costs of ¥16.3 billion, compared to ¥13.0 billion recorded in the first half of fiscal year 2019.

RETAIL BANKING

Retail Banking recorded total revenue of ¥13.6 billion, compared to ¥14.2 billion recorded in the first half of fiscal year 2019. Of this amount, net interest income totaled ¥12.3 billion, compared to ¥12.0 billion recorded in the first half of fiscal year 2019, primarily due to an increase in revenue from foreign currency deposits. Noninterest income totaled ¥1.3 billion, compared to ¥2.2 billion recorded in the first half of fiscal year 2019. This was primarily due to a decrease in income related to the sales of asset management products, centered on insurance policies.

General and administrative expenses increased to ¥14.2 billion from ¥13.7 billion recorded in the first half of fiscal year 2019. The increase was due to recording of expenses of the new consolidated subsidiary, while continued efforts were made to improve efficiency and streamline operations.

As a result, Retail Banking recorded an ordinary business loss after net credit costs of ¥0.8 billion, falling into the red from a profit of ¥0.5 billion recorded in the first half of fiscal year 2019.

SHINSEI FINANCIAL

Shinsei Financial recorded an ordinary business profit after net credit costs and related consolidation adjustments of ¥13.0 billion compared to ¥10.3 billion recorded in the first half of fiscal year 2019.

Total revenue was ¥33.8 billion compared to ¥34.0 billion recorded in the first half of fiscal year 2019, primarily due to decreased loan balances.

General and administrative expenses decreased to ¥16.1 billion from ¥16.8 billion recorded in the first half of fiscal year 2019 resulting from rationalization and efficiency improvement in operations.

Net credit costs decreased to ¥4.6 billion from ¥6.9 billion recorded in the first half of fiscal year 2019. The decrease was due to continued strict credit control and enhancement of collection structures, in addition to the impacts of the decreased loan balance.

APLUS FINANCIAL

APLUS FINANCIAL recorded an ordinary business profit after net credit costs and related consolidation adjustments of ¥3.8 billion, compared to ¥2.5 billion recorded in the first half of fiscal year 2019.

Total revenue was ¥29.0 billion, increased from ¥28.8 billion recorded in the first half of fiscal year 2019. Of this amount, net interest income decreased to ¥4.3 billion from ¥4.9 billion recorded in the first half of fiscal year 2019, due to decreased loan balances in the loan business. Noninterest income increased to ¥24.6 billion from ¥23.9 billion recorded in the first half of fiscal year 2019, primarily due to the strong performance of the shopping credit business.

General and administrative expenses decreased to ¥18.9 billion from ¥19.1 billion recorded in the first half of fiscal year 2019 through rationalization and efficiency improvement in operations.

Net credit costs decreased to ¥6.2 billion from ¥7.1 billion recorded in the first half of fiscal year 2019 due to the favorable outcome in the collection of loans.

Other Individual includes the results of the Consumer Finance Sub-Group and its subsidiaries.

INTEREST REPAYMENTS

In fiscal year 2019, Shinsei Financial reversed ¥4.5 billion in reserves for losses on interest repayments, while Shinsei Personal Loan and APLUS FINANCIAL provisioned ¥0.1 billion and ¥1.7 billion in additional reserves respectively. However, in the first half of fiscal year 2020, as a result of recalculating the amount of reserves required to cover future interest repayments, Shinsei Financial and Shinsei Personal Loan reversed ¥0.7 billion and ¥0.2 billion in reserves for losses on interest repayments respectively.

Shinsei Financial's usage of reserves for losses on interest repayments (interest repayments and related principal amortization) was ¥3.5 billion compared to ¥3.9 billion utilized in the first half of fiscal year 2019. As the company reversed ¥0.7 billion in reserves for losses on interest repayments in the first half of fiscal year 2020, the balance of reserves for losses on interest repayments stood at ¥33.5 billion as of September 30, 2020 compared to ¥37.8 billion as of March 31, 2020.

Shinsei Personal Loan's usage of reserves for losses on interest repayments (interest repayments and related principal amortization) was ¥0.5 billion compared to ¥0.6 billion recorded in the first half of fiscal year 2019. As the company reversed ¥0.2 billion in reserves for losses on interest repayments in the first half of fiscal year 2020, the balance of reserves for losses on interest repayments stood at ¥3.8 billion as of September 30, 2020 compared to ¥4.5 billion as of March 31, 2020.

APLUS FINANCIAL and its consolidated subsidiaries' usage of reserves for losses on interest repayments (interest repayments and related principal amortization) was ¥0.8 billion compared to ¥0.9 billion recorded in the first half of fiscal year 2019. As a result, the balance of reserves for losses on interest repayments stood at ¥5.9 billion as of September 30, 2020 compared to ¥6.8 billion as of March 31, 2020.

RESULTS OF OPERATIONS (CONSOLIDATED) (CONTINUED)

CORPORATE/OTHER

Corporate/Other consists of: 1) Treasury, which engages in the ALM and fundraising operations, and 2) Others, which includes company-wide accounts, variances from budgeted allocations of indirect expenses and eliminated amounts of inter-segment transactions.

TABLE 12. CORPORATE/OTHER ORDINARY BUSINESS PROFIT (LOSS) AFTER NET CREDIT COSTS (RECOVERIES) BY BUSINESS (CONSOLIDATED) ⁽¹⁾

	Billions of yen		
	Six months ended September 30, 2020	Six months ended September 30, 2019	Change (Amount)
Treasury:			
Net interest income	¥ (3.2)	¥ 0.8	¥ (4.1)
Noninterest income	4.2	5.2	(1.0)
Total revenue	1.0	6.1	(5.1)
General and administrative expenses	0.7	0.7	(0.0)
Ordinary business profit (loss)	0.2	5.3	(5.1)
Net credit costs (recoveries)	—	—	—
Ordinary business profit (loss) after net credit costs (recoveries)	¥ 0.2	¥ 5.3	¥ (5.1)
Other⁽¹⁾:			
Net interest income	¥ 0.0	¥ 0.0	¥ 0.0
Noninterest income	0.0	0.2	(0.1)
Total revenue	0.0	0.2	(0.1)
General and administrative expenses	0.4	1.3	(0.9)
Ordinary business profit (loss)	(0.3)	(1.1)	0.7
Net credit costs (recoveries)	(0.0)	0.0	(0.0)
Ordinary business profit (loss) after net credit costs (recoveries)	¥ (0.3)	¥ (1.1)	¥ 0.7
Corporate/Other⁽¹⁾:			
Net interest income	¥ (3.2)	¥ 0.8	¥ (4.1)
Noninterest income	4.3	5.5	(1.1)
Total revenue	1.0	6.4	(5.3)
General and administrative expenses	1.1	2.1	(0.9)
Ordinary business profit (loss)	(0.1)	4.2	(4.3)
Net credit costs (recoveries)	(0.0)	0.0	(0.0)
Ordinary business profit (loss) after net credit costs (recoveries)	¥ (0.1)	¥ 4.2	¥ (4.3)

Note: (1) Includes company-wide accounts, allocation variance of indirect expense and elimination amount of inter-segment transactions.

Reported business results of Corporate/Other includes the results of Treasury, which is responsible for the ALM operations of the entire Bank.

In Corporate/Other, total revenue was ¥1.0 billion compared to ¥6.4 billion recorded in the first half of fiscal

year 2019. The decrease was primarily due to decreased net interest income caused by lower interest rates overseas and decreased gains on sales of securities at Treasury.

SUMMARY OF NONCONSOLIDATED FINANCIAL RESULTS

We disclose nonconsolidated financial information in addition to our consolidated financial statements. As a recipient of public funds, we are required by the Financial Services Agency of Japan ("FSA") to update and report on nonconsolidated performance in relation to targets set forth in our Revitalization Plan on a quarterly basis and to publicly disclose that information semi-annually. Shinsei recorded net income of ¥0.5 billion on a nonconsolidated

basis for the six months ended September 30, 2019. Differences between the net incomes on a nonconsolidated basis and consolidated basis result mainly from the gains and losses from our consolidated subsidiaries, including Showa Leasing, Shinsei Financial, APLUS FINANCIAL and Shinsei Personal Loan, the gains and losses on our investment in our equity method affiliate, Jih Sun Financial Holding Co., Ltd., and the dividends received from our major consolidated subsidiaries.

RESULTS OF OPERATIONS (NONCONSOLIDATED)

TABLE 13. SUPPLEMENTAL MEASURES (NONCONSOLIDATED)

	Billions of yen	
	Six months ended September 30, 2020	Six months ended September 30, 2019
Gross business profit (gyomu sorieki) :		
Net interest income	¥ 44.2	¥ 52.2
Net fees and commissions ⁽¹⁾	(4.7)	(2.3)
Net trading income	1.8	3.1
Net other business income	4.1	5.0
Total gross business profit	45.4	58.1
Expenses ⁽²⁾	34.5	36.3
Net business profit (jisshitsu gyomu jun-eki)	10.8	21.8
Other, net ⁽³⁾	(6.5)	0.4
Net operating income (keijo rieki)	4.3	22.2
Extraordinary income (loss)	(0.5)	1.8
Income before income taxes	3.8	24.1
Current income taxes (benefit)	0.6	0.2
Deferred income taxes (benefit)	2.6	1.1
Net income	¥ 0.5	¥ 22.6

Notes: (1) Includes net gain (loss) on monetary assets held in trust of ¥1.2 billion and ¥1.2 billion for the six months ended September 30, 2020 and 2019, respectively.

(2) General and administrative expenses with certain adjustment.

(3) Excludes net gain (loss) on monetary assets held in trust.

SUPPLEMENTAL NONCONSOLIDATED MEASURES

In addition to the reporting items set forth in our nonconsolidated financial statements, the Banking Act of Japan requires us to disclose gross business profit (gyomu sorieki) on a nonconsolidated basis. Furthermore, in the Japanese banking industry, net business profit (jisshitsu gyomu jun-eki) has traditionally been used as a measure of the profitability of core banking operations. We review these non Japanese GAAP performance measures in monitoring the results of our operations.

Gross business profit (gyomu sorieki) is the sum of:

- net interest income, which excludes interest expense related to investment in monetary assets held in trust;
- net fees and commissions, which includes net gain (loss) on monetary assets held in trust (in keeping with the definition of gross business profit in our Revitalization Plan);

- net trading income; and
- net other business income, which excludes net gain (loss) on monetary assets held in trust and on equity securities.

Net business profit (jisshitsu gyomu jun-eki) is gross business profit (gyomu sorieki) minus nonconsolidated expenses, which corresponds to general and administrative expenses adjusted for certain items.

While these non Japanese GAAP business profit measures should not be viewed as a substitute for net income, management believes that these measures provide a meaningful way of comparing a number of the important components of Shinsei's revenues and profitability from year to year. The table above sets forth these supplemental financial data and corresponding reconciliations to net income under Japanese GAAP for the presented period.

FINANCIAL CONDITION

TOTAL ASSETS

Consolidated total assets increased from ¥9,456.6 billion to ¥9,535.5 billion over the six months ended September 30, 2018.

The balance of loans and bills discounted was ¥4,877.0

billion as of September 30, 2018, an decrease of ¥18.9 billion from ¥4,895.9 billion as of March 31, 2018. While the balance of corporate loan and housing loan decreased, the increase was supported by the growth of the loan balance in the Structured Finance and the Consumer Finance Businesses.

TABLE 14. LOANS BY BORROWER INDUSTRY (CONSOLIDATED)

	Billions of yen (except percentages)			
	As of September 30, 2020		As of September 30, 2019	
Domestic offices (excluding Japan offshore market account):				
Manufacturing	¥ 205.6	4.3%	¥ 202.5	4.2%
Agriculture and forestry	0.0	0.0	0.0	0.0
Fishery	—	—	0.1	0.0
Mining, quarrying and gravel extraction	0.7	0.0	0.6	0.0
Construction	11.5	0.3	8.2	0.2
Electric power, gas, heat supply and water supply	399.7	8.3	331.2	6.9
Information and communications	44.3	0.9	47.2	1.0
Transportation, postal service	197.0	4.1	199.4	4.2
Wholesale and retail	110.4	2.3	114.4	2.4
Finance and insurance	520.5	10.9	521.7	10.9
Real estate	662.5	13.8	649.0	13.6
Services	374.9	7.8	346.9	7.2
Local government	54.0	1.1	66.0	1.4
Others	2,218.8	46.2	2,297.8	48.0
Total domestic (A)	¥ 4,800.5	100.0%	¥ 4,785.7	100.0%
Overseas offices (including Japan offshore market accounts):				
Governments	¥ 0.0	0.0%	¥ 0.0	0.0%
Financial institutions	29.0	7.2	30.3	14.0
Others	374.4	92.8	186.4	86.0
Total overseas (B)	¥ 403.5	100.0%	¥ 216.8	100.0%
Total (A+B)	¥ 5,204.1		¥ 5,002.6	

FUNDING AND LIQUIDITY

The table below shows changes in the proportion of our overall funding represented by funds raised from deposits in our Retail and Institutional Banking businesses. Shinsei

continues to optimize its funding base through deposits mainly from retail customers.

TABLE 15. DIVERSIFICATION BY DEPOSITS TYPE (CONSOLIDATED)

	Billions of yen	
	As of September 30, 2020	As of September 30, 2019
Retail deposits	¥ 4,816.9	¥ 4,563.7
Institutional deposits	1,577.0	1,362.5
Total	¥ 6,393.9	¥ 5,926.3

TOTAL EQUITY

Total equity as of September 30, 2019 was ¥911.2 billion and included noncontrolling interests of ¥7.1 billion.

FINANCIAL CONDITION (CONTINUED)

ASSET QUALITY AND DISPOSAL OF NONPERFORMING LOANS OF SHINSEI

At September 30, 2020, 31.1% of our consolidated nonperforming loans as disclosed in accordance with the Japanese Banking Act (JBA) were held by Shinsei and most of the rest were held by Shinsei Financial and APLUS FINANCIAL. This discussion of our asset quality presents information of Shinsei on a nonconsolidated basis unless specified otherwise. In particular, nonperforming claims as defined in the Financial Revitalization Law are only disclosed on a nonconsolidated basis, and therefore do not include nonperforming claims held by Shinsei Financial, APLUS FINANCIAL and Showa Leasing. For a discussion regarding the nonperforming claims of Shinsei Financial, APLUS FINANCIAL and Showa Leasing.

We classify our obligors and assess our asset quality based on our self-assessment guidelines developed in accordance with guidelines published by the FSA. We generally perform our self-assessment quarterly. The self-assessment process involves classifying obligors based on their financial condition and then categorizing claims against obligors in order of collection risk. Based on these classifications, we establish reserves and disclose our nonperforming loans and other claims using criteria specified in the Financial Revitalization Law. We also disclose our nonperforming loans under a format devised by the JBA for the disclosure of risk-monitored loans.

CLAIMS CLASSIFIED UNDER THE FINANCIAL REVITALIZATION LAW

Under the Financial Revitalization Law, Japanese banks categorize their nonconsolidated total claims in four categories by reference to the nature of the relevant assets. In addition to loans and bills discounted, claims that are subject to disclosure under the Financial Revitalization Law include foreign exchange claims, securities lent, private placement bonds guaranteed by Shinsei, accrued income and suspense payments in other assets, as well as customers' liabilities for acceptances and guarantees.

DISCLOSURE OF CLAIMS CLASSIFIED UNDER THE FINANCIAL REVITALIZATION LAW

Our current management team has consistently emphasized the monitoring of nonperforming claims. Shinsei's total amount of nonperforming claims as disclosed pursuant to the Financial Revitalization Law increased 91.4%, to ¥33.8 billion, between March 31, 2020 and September 30, 2020. During the six months ended September 30, 2020, claims against bankrupt and quasi-bankrupt obligors increased from ¥2.3 billion to ¥4.6 billion, and doubtful claims increased from ¥12.5 billion to ¥24.2 billion, and substandard claims increased from ¥2.8 billion to ¥4.9 billion, as a result of our self assessment. The ratio of nonperforming claims disclosed under the Financial Revitalization Law to total nonconsolidated claims as of September 30, 2020 increased from 0.3% to 0.6% as of March 31, 2020.

Shinsei's claims against other need caution obligors, excluding substandard claims, totaled ¥114.9 billion as of September 30, 2020, a 31.7% increase from ¥87.3 billion as of March 31, 2020, which included private placement bonds guaranteed by Shinsei classified as claims against other need caution obligors.

These claims represented 2.2% of total nonconsolidated claims as of September 30, 2020, increased from 1.7% as of March 31, 2020.

FINANCIAL CONDITION (CONTINUED)

COMPARISON OF CATEGORIES OF OBLIGORS,
CLAIMS UNDER THE FINANCIAL REVITALIZATION LAW AND RISK-MONITORED LOANS
(NONCONSOLIDATED)

(Billions of yen)

Obligor Classifications		Internal Ratings	Reserve Ratios for Borrowers Type	Claims Classified under the Financial Revitalization Law ⁽¹⁾ (2)		Risk-monitored Loans ⁽¹⁾	
				Total loans and bills discounted:	5,094.1	Other	114.9
Legally bankrupt		9E	100.0% for unsecured portion	Claims against bankrupt and quasi-bankrupt obligors (Amount of coverage, coverage ratio) 4.6 (4.6*, 100.0%)		Loans to bankrupt obligors	0.6
Virtually bankrupt		9D	100.0% for unsecured portion	*Amount of reserve for loan losses is 0.6, collateral and guarantees is 4.0			
Possibly bankrupt		9C	75.8% for unsecured portion	Doubtful claims (Amount of coverage, coverage ratio) 24.2 (20.5*, 84.6%)		Nonaccrual delinquent loans	28.1
Need caution	Substandard	9B	25.0% for unsecured portion	Substandard claims (loan account only) (Amount of coverage, coverage ratio) 4.9 (3.0*, 62.0%)		Loans past due for three months or more	
	Other need caution	9A	4.6% for total claims	*Amount of reserve for loan losses is 0.5, collateral and guarantees is 2.5		Restructured loans	4.8
Normal		0A-6C	0.3% for total claims	Normal claims	5,175.3	Normal	5,060.5
				Total nonperforming claims and ratio to total claims (Total amount of coverage, coverage ratio) 33.8, 0.6%		Total risk-monitored loans and ratio to total loans and bills discounted	33.6, 0.7%
				*Total amount of reserve for loan losses is 11.3, collateral and guarantees is 16.8			

Notes: (1) The Financial Revitalization Law requires us to classify and disclose "claims" which include, in addition to loans and bills discounted, foreign exchange claims, securities lent, private placement bonds guaranteed by Shinsei, accrued income and suspense payments in other assets, as well as customers' liabilities for acceptances and guarantees. By comparison, as for risk-monitored loans, the format devised by the JBA only classifies, and calls for disclosure of, certain loans and bills discounted.

(2) Shaded claims denoted claims that are considered to be nonperforming under the Financial Revitalization Law.

FINANCIAL CONDITION (CONTINUED)

TABLE 16. CLAIMS CLASSIFIED UNDER THE FINANCIAL REVITALIZATION LAW (NONCONSOLIDATED)

	Billions of yen (except percentages)		
	As of September 30, 2020	As of September 30, 2019	As of March 31, 2020
Claims against bankrupt and quasi-bankrupt obligors	¥ 4.6	¥ 2.3	¥ 2.3
Doubtful claims	24.2	14.5	12.5
Substandard claims	4.9	1.9	2.8
Total claims disclosed under the Financial Revitalization Law ⁽¹⁾	33.8	18.7	17.6
Normal claims and claims against other need caution obligors, excluding substandard claims	5,175.3	5,017.2	5,147.9
Total claims	¥ 5,209.1	¥ 5,035.9	¥ 5,165.6
Ratio of total claims disclosed under the Financial Revitalization Law to total claims	0.6%	0.4%	0.3%

Note: (1) Total claims consists of loans and bills discounted, foreign exchange claims, securities lent, accrued interest income and suspense payments in other assets, as well as customers' liabilities for acceptances and guarantees.

COVERAGE RATIOS

As of September 30, 2020, nonconsolidated coverage ratios for claims classified under the Financial Revitalization Law, which for each category of claims is the total of collateral pledged against claims, guarantees for claims and reserve for loan losses, measured against total claims, were 100.0% for claims against bankrupt and quasi-

bankrupt obligors, 84.6% for doubtful claims and 62.0% for substandard claims. For all claims classified under the Financial Revitalization Law, the coverage ratio was 83.4%.

Shinsei directly writes off, rather than reserves, the portion of claims against bankrupt and quasi-bankrupt obligors that are estimated to be uncollectible. As of September 30, 2020, ¥6.2 billion of such claims were written off on a nonconsolidated basis.

TABLE 17. COVERAGE RATIOS FOR NONPERFORMING CLAIMS DISCLOSED UNDER THE FINANCIAL REVITALIZATION LAW (NONCONSOLIDATED)

	Billions of yen (except percentages)				
	Amount of claims	Amounts of coverage			Coverage ratio
Reserve for loan losses		Collateral and guarantees	Total		
As of September 30, 2020:					
Claims against bankrupt and quasi-bankrupt obligors	¥ 4.6	¥ 0.6	¥ 4.0	¥ 4.6	100.0%
Doubtful claims	24.2	10.2	10.3	20.5	84.6
Substandard claims	4.9	0.5	2.5	3.0	62.0
Total	¥ 33.8	¥ 11.3	¥ 16.8	¥ 28.2	83.4%
As of September 30, 2019:					
Claims against bankrupt and quasi-bankrupt obligors	¥ 2.3	¥ 0.6	¥ 1.7	¥ 2.3	100.0%
Doubtful claims	14.5	5.7	5.8	11.5	79.5
Substandard claims	1.9	0.3	0.4	0.7	34.0
Total	¥ 18.7	¥ 6.6	¥ 7.9	¥ 14.4	77.3%
As of March 31, 2020:					
Claims against bankrupt and quasi-bankrupt obligors	¥ 2.3	¥ 0.6	¥ 1.7	¥ 2.3	100.0%
Doubtful claims	12.5	6.5	5.3	11.8	93.8
Substandard claims	2.8	0.4	0.5	0.8	29.5
Total	¥ 17.6	¥ 7.4	¥ 7.5	¥ 14.9	84.5%

RESERVE FOR CREDIT LOSSES

The following table sets forth a breakdown of Shinsei's total reserve for credit losses on a nonconsolidated basis as of the dates indicated:

TABLE 18. RESERVE FOR CREDIT LOSSES (NONCONSOLIDATED)

	Billions of yen (except percentages)	
	As of September 30, 2020	As of September 30, 2019
General reserve for loan losses	¥ 23.5	¥ 19.2
Specific reserve for loan losses	12.6	6.6
Reserve for loans to restructuring countries	—	—
Total reserve for credit losses	¥ 36.1	¥ 25.8
Total claims ⁽¹⁾	¥ 5,209.1	¥ 5,035.8
Ratio of total reserve for credit losses to total claims	0.7%	0.5%

Note: (1) Total claims consist loans and bills discounted, foreign exchange claims, securities lent, accrued interest income and suspense payments in other assets, as well as customers' liabilities for acceptances and guarantees.

As of September 30, 2020 and 2019, Shinsei's total reserve for credit losses on a nonconsolidated basis was ¥36.1 billion and ¥25.8 billion, respectively, constituting 0.7% and 0.5%, respectively, of total claims.

FINANCIAL CONDITION (CONTINUED)

TABLE 19. RESERVE RATIOS BY BORROWERS' CATEGORY (NONCONSOLIDATED)

		Percentages	
		As of September 30, 2020	As of September 30, 2019
Legally and virtually bankrupt	(unsecured portion)	100.0%	100.0%
Possibly bankrupt	(unsecured portion)	75.8%	67.8%
Substandard	(unsecured portion)	25.0%	21.5%
Other need	(total claims)	4.6%	4.1%
	(unsecured portion)	14.6%	10.3%
Normal	(total claims)	0.3%	0.3%

RISK-MONITORED LOANS

Consolidated risk-monitored loans increased by ¥21.0 billion during the six months ended September 30, 2020 to ¥108.2 billion.

The following tables set forth information concerning our consolidated and nonconsolidated risk-monitored loans as of the dates indicated:

TABLE 20. RISK-MONITORED LOANS (CONSOLIDATED)

		Billions of yen (except percentages)	
		As of September 30, 2020	As of September 30, 2019
Total loans and bills discounted		¥ 5,204.1	¥ 5,002.6
Loans to bankrupt obligors (A)		3.6	4.6
Nonaccrual delinquent loans (B)		48.2	36.6
Subtotal (A) + (B)		¥ 51.8	¥ 41.3
Ratio to total loans and bills discounted		1.0%	0.8%
Loans past due for three months or more (C)		¥ 1.5	¥ 0.7
Restructured loans (D)		54.8	44.3
Total risk-monitored loans (A) + (B) + (C) + (D)		¥ 108.2	¥ 86.3
Ratio to total loans and bills discounted		2.1%	1.7%
Reserve for credit losses		¥ 109.6	¥ 98.5

TABLE 21. RISK-MONITORED LOANS (NONCONSOLIDATED)

		Billions of yen (except percentages)	
		As of September 30, 2020	As of September 30, 2019
Total loans and bills discounted		¥ 5,094.1	¥ 4,925.4
Loans to bankrupt obligors (A)		0.6	0.5
Nonaccrual delinquent loans (B)		28.1	16.1
Subtotal (A) + (B)		¥ 28.7	¥ 16.7
Ratio to total loans and bills discounted		0.6%	0.3%
Loans past due for three months or more (C)		¥ 0.5	¥ 0.2
Restructured loans (D)		4.3	1.6
Total risk-monitored loans (A) + (B) + (C) + (D)		¥ 33.6	¥ 18.6
Ratio to total loans and bills discounted		0.7%	0.4%
Reserve for credit losses		¥ 36.1	¥ 25.8

FINANCIAL CONDITION (CONTINUED)

TABLE 22. RISK-MONITORED LOANS BY BORROWER INDUSTRY (NONCONSOLIDATED)

	Billions of yen	
	As of September 30, 2020	As of September 30, 2019
Domestic offices (excluding Japan offshore market account):		
Manufacturing	¥ 0.0	¥ 3.5
Agriculture and forestry	—	—
Fishery	—	—
Mining, quarrying and gravel extraction	—	—
Construction	0.2	—
Electric power, gas, heat supply and water supply	10.1	5.7
Information and communications	0.1	0.1
Transportation and postal service	2.2	—
Wholesale and retail	3.1	0.1
Finance and insurance	—	0.1
Real estate	8.8	3.6
Services	2.9	1.3
Local government	—	—
Individual	4.5	2.5
Overseas yen loan and overseas loans booked domestically	0.2	0.2
Total domestic (A)	¥ 32.3	¥ 17.4
Overseas offices (including Japan offshore market accounts):		
Governments	¥ —	¥ —
Financial institutions	—	—
Others	1.2	1.1
Total overseas (B)	¥ 1.2	¥ 1.1
Total (A+B)	¥ 33.6	¥ 18.6

ASSET QUALITY OF SHINSEI FINANCIAL, APLUS FINANCIAL AND SHOWA LEASING

Shinsei Financial, APLUS FINANCIAL and Showa Leasing classify their obligors and assess their asset quality based on self-assessment guidelines developed in accordance with guidelines published by the FSA. They generally perform their self-assessment quarterly and at least semi-annually. The assessment of Shinsei Financial, APLUS

FINANCIAL and Showa Leasing where applicable, include, among other things, an assessment of credit extended to credit card customers as well as lease obligors, unsecured personal loans and customer guarantees.

The following tables set forth information concerning consolidated risk-monitored loans and risk-monitored installment receivables held by Shinsei, Shinsei Financial, APLUS FINANCIAL and Showa Leasing and other subsidiaries as of the dates indicated:

FINANCIAL CONDITION (CONTINUED)

TABLE 23. RISK-MONITORED LOANS BREAKDOWN FOR LARGE ENTITIES (CONSOLIDATED)

	Billions of yen				Total
	Shinsei	Shinsei Financial	APLUS FINANCIAL	Other subsidiaries	
As of September 30, 2020:					
Loans to bankrupt obligors	¥ 0.6	¥ 2.7	¥ –	¥ 0.2	¥ 3.6
Nonaccrual delinquent loans	28.1	9.6	5.5	4.8	48.2
Loans past due for three months or more	0.5	–	0.4	0.5	1.5
Restructured loans	4.3	34.2	11.0	5.2	54.8
Total	¥ 33.6	¥ 46.6	¥ 17.0	¥ 10.9	¥ 108.2
As of September 30, 2019:					
Loans to bankrupt obligors	¥ 0.5	¥ 3.4	¥ 0.0	¥ 0.6	¥ 4.6
Nonaccrual delinquent loans	16.1	10.9	5.5	3.9	36.6
Loans past due for three months or more	0.2	0.0	0.3	0.1	0.7
Restructured loans	1.6	32.3	10.2	0.0	44.3
Total	¥ 18.6	¥ 46.8	¥ 16.2	¥ 4.6	¥ 86.3
As of March 31, 2020:					
Loans to bankrupt obligors	¥ 0.5	¥ 3.5	¥ –	¥ 0.5	¥ 4.5
Nonaccrual delinquent loans	14.3	11.1	5.3	4.4	35.3
Loans past due for three months or more	0.3	0.0	0.2	0.0	0.6
Restructured loans	2.4	33.3	10.8	–	46.6
Total	¥ 17.6	¥ 48.0	¥ 16.4	¥ 5.0	¥ 87.2

TABLE 24. RISK-MONITORED INSTALLMENT RECEIVABLES INCLUDED IN OTHER ASSETS BREAKDOWN FOR LARGE ENTITIES (CONSOLIDATED) (1)

	Billions of yen				Total
	Shinsei Financial	APLUS FINANCIAL	Showa Leasing	Other subsidiaries	
As of September 30, 2020:					
Credits to bankrupt obligors	¥ –	¥ –	¥ 0.0	¥ 0.0	¥ 0.0
Nonaccrual delinquent credits	–	3.9	2.0	0.5	6.5
Credits past due for three months or more	–	0.1	0.0	–	0.2
Restructured credits	–	1.2	0.5	0.7	2.5
Total	¥ –	¥ 5.3	¥ 2.6	¥ 1.4	¥ 9.4
As of September 30, 2019:					
Credits to bankrupt obligors	¥ –	¥ 0.0	¥ 0.0	¥ –	¥ 0.0
Nonaccrual delinquent credits	–	3.6	1.3	–	5.0
Credits past due for three months or more	–	0.1	0.0	–	0.2
Restructured credits	–	0.6	–	–	0.6
Total	¥ –	¥ 4.4	¥ 1.4	¥ –	¥ 5.9
As of March 31, 2020:					
Credits to bankrupt obligors	¥ –	¥ –	¥ 0.0	¥ –	¥ 0.0
Nonaccrual delinquent credits	–	3.8	1.7	–	5.6
Credits past due for three months or more	–	0.1	0.1	–	0.2
Restructured credits	–	0.9	0.0	–	1.0
Total	¥ –	¥ 4.9	¥ 1.9	¥ –	¥ 6.9

Note: (1) Neither Shinsei Bank (nonconsolidated) nor Shinsei Personal Loan had any such installment receivables.

CAPITAL RATIOS

From the fiscal year ended March 31, 2014, the Basel III methodology has been adopted to calculate capital ratios. For credit risk, the Foundation Internal Ratings Based Approach (FIRB) has been applied. For operational risk, the Standardized Approach (TSA) has been adopted and the Internal Model Method has been used for market risk.

Our total capital adequacy ratio (Basel III) as of September 30, 2020 was 10.92%, compared with 11.21% as of March 31, 2020.

See “COMPOSITION OF CAPITAL DISCLOSURE (CONSOLIDATED)” on Page 77.

INTERIM CONSOLIDATED BALANCE SHEET (UNAUDITED)

Shinsei Bank, Limited, and its Consolidated Subsidiaries
As of September 30, 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	Sept. 30, 2020	Mar. 31, 2020	Sept. 30, 2020
ASSETS			
Cash and due from banks (Notes 4, 21 and 31)	¥ 1,659,232	¥ 1,614,134	\$ 15,715,406
Other monetary claims purchased (Notes 5 and 31)	55,092	63,575	521,805
Trading assets (Notes 6, 21, 31 and 32)	201,005	213,707	1,903,826
Monetary assets held in trust (Notes 7, 21 and 31)	393,858	415,107	3,730,423
Securities (Notes 8, 21 and 31)	853,226	957,040	8,081,324
Loans and bills discounted (Notes 9, 21 and 31)	5,204,118	5,110,404	49,290,762
Foreign exchanges (Note 10)	64,578	73,879	611,653
Lease receivables and leased investment assets (Notes 21, 29 and 31)	198,307	193,445	1,878,267
Other assets (Notes 11, 21, 31 and 32)	1,102,339	1,007,605	10,440,800
Premises and equipment (Notes 12, 21 and 29)	66,195	69,414	626,973
Intangible assets (Notes 13 and 29)	70,985	67,073	672,335
Assets for retirement benefits	5,952	5,683	56,378
Deferred tax assets	14,479	16,977	137,141
Customers' liabilities for acceptances and guarantees (Note 20)	544,275	526,520	5,155,098
Reserve for credit losses (Note 14)	(109,694)	(107,998)	(1,038,968)
Total assets	¥ 10,323,952	¥ 10,226,571	\$ 97,783,222
LIABILITIES AND EQUITY			
Liabilities:			
Deposits, including negotiable certificates of deposit (Notes 15, 21 and 31)	¥ 6,393,961	¥ 6,305,161	\$ 60,560,352
Call money (Note 31)	95,000	165,000	899,792
Payables under repurchase agreements (Notes 21 and 31)	11,069	38,956	104,847
Payables under securities lending transactions (Notes 21 and 31)	311,171	350,407	2,947,254
Trading liabilities (Notes 16, 31 and 32)	172,846	183,943	1,637,110
Borrowed money (Notes 17, 21 and 31)	880,491	881,991	8,339,567
Foreign exchanges (Note 10)	1,208	687	11,450
Short-term corporate bonds (Note 31)	227,200	221,300	2,151,923
Corporate bonds (Notes 18, 21 and 31)	353,368	166,500	3,346,926
Other liabilities (Notes 19, 21, 31 and 32)	359,438	404,973	3,404,416
Accrued employees' bonuses	4,928	8,560	46,676
Accrued directors' bonuses	23	47	220
Liabilities for retirement benefits	8,459	8,422	80,124
Reserve for directors' retirement benefits	17	50	165
Reserve for reimbursement of deposits	577	621	5,470
Reserve for reimbursement of debentures	3,406	3,513	32,267
Reserve for losses on interest repayments	43,365	49,308	410,734
Deferred tax liabilities	115	119	1,092
Acceptances and guarantees (Notes 20, 21 and 31)	544,275	526,520	5,155,098
Total liabilities	9,410,924	9,316,086	89,135,483
Equity:			
Common stock (Note 22)	512,204	512,204	4,851,341
Capital surplus	78,538	78,506	743,880
Stock acquisition rights (Note 23)	149	125	1,417
Retained earnings	400,609	389,600	3,794,366
Treasury stock, at cost (Note 22)	(70,508)	(61,097)	(667,823)
Accumulated other comprehensive income:			
Unrealized gain (loss) on available-for-sale securities (Note 8)	4,637	4,755	43,926
Deferred gain (loss) on derivatives under hedge accounting	(16,532)	(15,719)	(156,589)
Foreign currency translation adjustments	(1,529)	(1,670)	(14,490)
Defined retirement benefit plans	(3,532)	(3,585)	(33,460)
Total	904,035	903,120	8,562,567
Noncontrolling interests	8,992	7,364	85,173
Total equity	913,028	910,485	8,647,739
Total liabilities and equity	¥ 10,323,952	¥ 10,226,571	\$ 97,783,222

See accompanying "Notes to Interim Consolidated Financial Statements (Unaudited)," which are an integral part of these statements.

INTERIM CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

Shinsei Bank, Limited, and its Consolidated Subsidiaries
For the six months ended September 30, 2020

	Millions of yen		Thousands of
	Sept. 30, 2020 (6 months)	Sept. 30, 2019 (6 months)	U.S. dollars (Note 1) Sept. 30, 2020 (6 months)
Interest income:			
Interest on loans and bills discounted	¥ 64,582	¥ 70,187	\$ 611,692
Interest and dividends on securities	3,105	5,095	29,410
Interest on deposits with banks	557	599	5,277
Other interest income	529	837	5,017
Total interest income	68,774	76,720	651,394
Interest expenses:			
Interest on deposits, including negotiable certificates of deposit	2,335	2,788	22,119
Interest on other borrowings	1,570	1,316	14,875
Interest on corporate bonds	237	113	2,250
Other interest expenses	2,749	5,713	26,038
Total interest expenses	6,892	9,931	65,282
Net interest income	61,881	66,789	586,113
Fees and commissions income	26,618	29,426	252,116
Fees and commissions expenses	13,056	13,760	123,665
Net fees and commissions	13,561	15,665	128,451
Net trading income (loss) (Note 24)	2,383	5,036	22,578
Other business income (loss), net:			
Income on lease transactions and installment receivables, net	20,597	19,982	195,092
Net gain (loss) on monetary assets held in trust	1,846	1,662	17,485
Net gain (loss) on foreign exchanges	3,746	677	35,485
Net gain (loss) on securities	2,503	8,148	23,708
Net gain (loss) on other monetary claims purchased	89	265	845
Other, net (Note 25)	3,678	3,275	34,844
Net other business income (loss)	32,461	34,012	307,458
Total revenue	110,288	121,504	1,044,599
General and administrative expenses:			
Personnel expenses	29,638	28,993	280,718
Premises expenses	9,511	10,031	90,084
Technology and data processing expenses	12,302	12,520	116,523
Advertising expenses	4,964	5,298	47,018
Consumption and property taxes	5,305	4,757	50,255
Deposit insurance premium	760	790	7,201
Other general and administrative expenses	10,406	11,663	98,563
General and administrative expenses	72,888	74,055	690,362
Amortization of goodwill and intangible assets acquired in business combinations	1,283	1,148	12,156
Total general and administrative expenses	74,171	75,203	702,518
Net business profit (loss)	36,116	46,300	342,081
Net credit costs (recoveries) (Note 26)	17,460	16,530	165,376
Other gains (losses), net (Note 27)	1,078	1,468	10,216
Income (loss) before income taxes	19,735	31,239	186,921
Income taxes (benefit):			
Current	2,918	1,392	27,641
Deferred	3,588	1,806	33,985
Profit	13,228	28,039	125,295
Profit (loss) attributable to noncontrolling interests	(87)	(109)	(833)
Profit (loss) attributable to owners of the parent	¥ 13,316	¥ 28,148	\$ 126,128
Basic earnings per share (Note 28)			
	¥ 58.35	¥ 115.80	\$ 0.55
Diluted earnings per share (Note 28)			
	¥ 58.34	¥ 115.79	\$ 0.55

See accompanying "Notes to Interim Consolidated Financial Statements (Unaudited)," which are an integral part of these statements.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

Shinsei Bank, Limited, and its Consolidated Subsidiaries
For the six months ended September 30, 2020

	Millions of yen		Thousands of
	Sept. 30, 2020 (6 months)	Sept. 30, 2019 (6 months)	U.S. dollars (Note 1) Sept. 30, 2020 (6 months)
Profit	¥ 13,228	¥ 28,039	\$ 125,295
Other comprehensive income:			
Unrealized gain (loss) on available-for-sale securities	(671)	(3,233)	(6,356)
Deferred gain (loss) on derivatives under hedge accounting	(812)	(1,783)	(7,700)
Foreign currency translation adjustments	(19)	(144)	(187)
Defined retirement benefit plans	52	49	498
Share of other comprehensive income (loss) in affiliates	721	416	6,838
Total other comprehensive income	(729)	(4,695)	(6,907)
Comprehensive income	¥ 12,499	¥ 23,343	\$ 118,388
Total comprehensive income attributable to:			
Owners of the parent	¥ 12,618	¥ 23,513	\$ 119,514
Noncontrolling interests	(118)	(169)	(1,126)

See accompanying "Notes to Interim Consolidated Financial Statements (Unaudited)," which are an integral part of these statements.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Shinsei Bank, Limited, and its Consolidated Subsidiaries
For the six months ended September 30, 2020

	Millions of yen											
	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock, at cost	Accumulated other comprehensive income				Total	Noncontrolling interests	Total equity
Unrealized gain (loss) on available-for-sale securities						Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Defined retirement benefit plans				
BALANCE, April 1, 2020 (as previously reported)	¥ 512,204	¥ 78,506	¥ 125	¥ 389,600	¥ (61,097)	¥ 4,755	¥ (15,719)	¥ (1,670)	¥ (3,585)	¥ 903,120	¥ 7,364	¥ 910,485
Dividends				(2,307)						(2,307)		(2,307)
Profit attributable to owners of the parent				13,316						13,316		13,316
Purchase of treasury stock					(9,543)					(9,543)		(9,543)
Disposal of treasury stock		(40)			132					91		91
Transfer to capital surplus from retained earnings		40		(40)						-		-
Changes in ownership interest of the parent related to transactions with noncontrolling interests		32								32		32
Increase by forfeit of stock acquisition rights of consolidated subsidiaries				0						0		0
Changes by inclusion of consolidated subsidiaries				(0)						(0)		(0)
Changes by exclusion of consolidated subsidiaries				-						-		-
Transfer to retained earnings from unrealized gain (loss) on available-for-sale securities				39						39		39
Net change during the period			23		(117)	(812)	140	52		(714)	1,628	913
BALANCE, September 30, 2020	¥ 512,204	¥ 78,538	¥ 149	¥ 400,609	¥ (70,508)	¥ 4,637	¥ (16,532)	¥ (1,529)	¥ (3,532)	¥ 904,035	¥ 8,992	¥ 913,028

	Millions of yen											
	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock, at cost	Accumulated other comprehensive income				Total	Noncontrolling interests	Total equity
Unrealized gain (loss) on available-for-sale securities						Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Defined retirement benefit plans				
BALANCE, April 1, 2019 (as previously reported)	¥ 512,204	¥ 78,506	¥ 99	¥ 346,562	¥ (37,729)	¥ 10,041	¥ (16,391)	¥ (1,527)	¥ 378	¥ 892,143	¥ 4,498	¥ 896,642
Dividends				(2,452)						(2,452)		(2,452)
Profit attributable to owners of the parent				28,148						28,148		28,148
Purchase of treasury stock					(9,207)					(9,207)		(9,207)
Disposal of treasury stock		(53)			132					78		78
Transfer to capital surplus from retained earnings		53		(53)						-		-
Changes in ownership interest of the parent related to transactions with noncontrolling interests		(0)								(0)		(0)
Increase by forfeit of stock acquisition rights of consolidated subsidiaries				-						-		-
Changes by inclusion of consolidated subsidiaries				-						-		-
Changes by exclusion of consolidated subsidiaries				(0)						(0)		(0)
Transfer to retained earnings from unrealized gain (loss) on available-for-sale securities				(29)						(29)		(29)
Net change during the period			26		(1,592)	(1,783)	(1,278)	47		(4,580)	2,616	(1,964)
BALANCE, September 30, 2019	¥ 512,204	¥ 78,506	¥ 125	¥ 372,176	¥ (46,804)	¥ 8,448	¥ (18,174)	¥ (2,806)	¥ 425	¥ 904,101	¥ 7,114	¥ 911,215

Thousands of U.S. dollars (Note 1)

	Accumulated other comprehensive income										Total	Noncontrolling interests	Total equity
	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock, at cost	Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Defined retirement benefit plans				
BALANCE, April 1, 2020 (as previously reported)	\$4,851,341	\$ 743,572	\$ 1,193	\$3,690,096	\$ (578,681)	\$ 45,043	\$ (148,889)	\$ (15,819)	\$ (33,958)	\$8,553,898	\$ 69,752	\$8,623,651	
Dividends				(21,855)						(21,855)		(21,855)	
Profit attributable to owners of the parent				126,128						126,128		126,128	
Purchase of treasury stock					(90,392)					(90,392)		(90,392)	
Disposal of treasury stock		(379)			1,250					871		871	
Transfer to capital surplus from retained earnings		379		(379)						–		–	
Changes in ownership interest of the parent related to transactions with noncontrolling interests		308								308		308	
Increase by forfeit of stock acquisition rights of consolidated subsidiaries				5						5		5	
Changes by inclusion of consolidated subsidiaries				(6)						(6)		(6)	
Changes by exclusion of consolidated subsidiaries				–						–		–	
Transfer to retained earnings from unrealized gain (loss) on available-for-sale securities				377		(1,117)	(7,700)	1,329	498	377		377	
Net change during the period			223			(1,117)	(7,700)	1,329	498	(6,768)	15,420	8,653	
BALANCE, September 30, 2020	\$4,851,341	\$ 743,880	\$ 1,417	\$3,794,366	\$ (667,823)	\$ 43,926	\$ (156,589)	\$ (14,490)	\$ (33,460)	\$8,562,567	\$ 85,173	\$8,647,739	

See accompanying "Notes to Interim Consolidated Financial Statements (Unaudited)," which are an integral part of these statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

Shinsei Bank, Limited, and its Consolidated Subsidiaries
For the six months ended September 30, 2020

	Millions of yen		Thousands of
	Sept. 30, 2020 (6 months)	Sept. 30, 2019 (6 months)	U.S. dollars (Note 1) Sept. 30, 2020 (6 months)
Cash flows from operating activities:			
Income (loss) before income taxes	¥ 19,735	¥ 31,239	\$ 186,921
Adjustments for:			
Income taxes paid	(1,505)	(1,010)	(14,256)
Depreciation (other than leased assets as lessor)	7,074	7,045	67,010
Amortization of goodwill and intangible assets acquired in business combinations	1,283	1,148	12,156
Impairment losses on long-lived assets	229	216	2,170
Net change in reserve for credit losses	1,417	496	13,429
Net change in reserve for losses on interest repayments	(5,943)	(6,799)	(56,293)
Net change in other reserves	(3,840)	(3,942)	(36,378)
Interest income	(68,774)	(76,720)	(651,394)
Interest expenses	6,892	9,931	65,282
Investment (gains) losses	(5,356)	(10,285)	(50,731)
Net exchange (gain) loss	(220)	12,450	(2,087)
Net change in trading assets	12,701	(21,988)	120,303
Net change in trading liabilities	(11,097)	18,301	(105,105)
Net change in loans and bills discounted	29,223	(14,804)	276,787
Net change in deposits, including negotiable certificates of deposit	88,824	4,255	841,297
Net change in borrowed money (other than subordinated debt)	(74,624)	(85,021)	(706,807)
Net change in corporate bonds (other than subordinated corporate bonds)	48,500	(20,100)	459,367
Net change in interest-bearing deposits with banks (other than due from the Bank of Japan)	(18,556)	75,858	(175,760)
Net change in receivables under securities borrowing transactions and other monetary claims purchased	8,483	(39,859)	80,347
Net change in call money, payables under repurchase agreements, payables under securities lending transactions, and short-term corporate bonds (liabilities)	(131,223)	173,440	(1,242,881)
Net change in foreign exchange assets and liabilities	9,821	(25,835)	93,028
Interest received	71,236	78,663	674,720
Interest paid	(8,314)	(9,612)	(78,747)
Net change in monetary assets held in trust for trading purposes	1,296	1,682	12,282
Net change in lease receivables and leased investment assets	3,327	2,272	31,520
Other, net	(21,125)	(96,928)	(200,086)
Total adjustments	(60,267)	(27,143)	(570,827)
Net cash provided by (used in) operating activities	(40,532)	4,095	(383,906)
Cash flows from investing activities:			
Purchase of investments	(911,032)	(1,227,513)	(8,628,833)
Proceeds from sales of investments	880,991	1,140,841	8,344,303
Proceeds from maturity of investments	143,388	130,615	1,358,101
Purchase of premises and equipment (other than leased assets as lessor)	(777)	(1,678)	(7,368)
Purchase of intangible assets (other than leased assets as lessor)	(5,133)	(3,108)	(48,618)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(46,990)	(4,715)	(445,069)
Other, net	542	(89)	5,139
Net cash provided by (used in) investing activities	60,988	34,351	577,655
Cash flows from financing activities:			
Proceeds from noncontrolling shareholders	1,814	2,197	17,187
Dividends paid	(2,307)	(2,452)	(21,855)
Dividends paid to noncontrolling shareholders of subsidiaries	(19)	(33)	(189)
Payment for purchase of treasury stock	(9,543)	(9,207)	(90,392)
Purchase of investments in subsidiaries not resulting in change in scope of consolidation	(15)	(0)	(151)
Net cash provided by (used in) financing activities	(10,072)	(9,497)	(95,399)
Foreign currency translation adjustments on cash and cash equivalents	(36)	(93)	(347)
Net change in cash and cash equivalents	10,347	28,856	98,004
Cash and cash equivalents at beginning of the period	1,578,264	1,245,870	14,948,521
Cash and cash equivalents at end of the period (Note 4)	¥ 1,588,612	¥ 1,274,726	\$ 15,046,524

Note: Investments consist of securities and monetary assets held in trust for other than trading purposes.
See accompanying "Notes to Interim Consolidated Financial Statements (Unaudited)," which are an integral part of these statements.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Shinsei Bank, Limited, and its Consolidated Subsidiaries
For the six months ended September 30, 2020

1. BASIS OF PRESENTATION OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED

The accompanying interim consolidated financial statements of Shinsei Bank, Limited (the "Bank") and its consolidated subsidiaries (collectively, the "Group"), stated in Japanese yen, have been prepared on the basis of generally accepted accounting principles in Japan ("Japanese GAAP") and in accordance with the Banking Act of Japan (the "Banking Act"), and compiled from the interim consolidated financial statements prepared under the provisions set forth in the Financial Instruments and Exchange Act of Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards ("IFRS").

Certain reclassifications and rearrangements have been made to the interim consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, the accompanying notes include information that is not required under Japanese GAAP, but is presented herein for the convenience of readers.

The preparation of interim consolidated financial statements in conformity with Japanese GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures

of contingent liabilities at the date of the interim consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The interim consolidated financial statements are stated in Japanese yen, the currency of the country in which the Bank is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥105.58 to U.S. \$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on September 30, 2020. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

Amounts of less than one million yen and one thousand U.S. dollars have been rounded down to the nearest million and rounded to the nearest thousand, respectively except for per share amounts in the presentation of the accompanying interim consolidated financial statements and the notes thereto. As a result, the totals in yen and U.S. dollars do not necessarily equal the sum of the individual amounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CONSOLIDATED

(A) PRINCIPLES OF CONSOLIDATION

The Group determines its scope of consolidation under the concepts of control and influence. Those companies over which the Bank is able to directly or indirectly exercise control are fully consolidated, except if they are immaterial, judging from the financial position or results of operations, such as assets, ordinary income, profit (the Group's interest portion), retained earnings (the Group's interest portion) and accumulated other comprehensive income (the Group's interest portion) of the Group, or the control over the subsidiary is temporary, and those companies over which the Bank is able to directly or indirectly exercise significant influence are accounted for by the equity method, except if they are immaterial, judging from the financial position or results of operations, such as assets, ordinary income, profit (the Group's interest portion), retained earnings (the Group's interest portion) and accumulated other comprehensive income (the Group's interest portion) of the Group.

The numbers of subsidiaries and affiliates as of September 30, 2020 and March 31, 2020 were as follows:

	September 30, 2020	March 31, 2020
Consolidated subsidiaries	93	91
Unconsolidated subsidiaries	87	72
Affiliates accounted for by the equity method	42	43
Affiliates accounted for not applying the equity method	—	—

UDC Finance Limited was newly consolidated due to its acquisition of shares, and SL CERES LTD. was newly consolidated due to its increased materiality in the six months ended September 30, 2020.

Shinsei Aoyama Partners Investment Limited Partnership V was excluded from the scope of application of the equity method due to liquidation in the six months ended September 30, 2020.

Unconsolidated subsidiaries are primarily operating companies that are engaged in the leasing business under the Tokumei Kumiai (anonymous partnership) system.

Under the Tokumei Kumiai system, assets, profits and losses essentially do not belong to individual operating companies or their parent companies but to the members of the anonymous partnership, and furthermore, as the Group does not have any material transactions with these subsidiaries, pursuant to Article 5, Paragraph 1, Section 2 and Article 7, Paragraph 1, Section 2 of the regulations concerning interim consolidated financial statements, respectively, these subsidiaries are excluded from the scope of consolidation and the scope of application of the equity method.

Also, unconsolidated subsidiaries with the temporary control are excluded from the scope of consolidation method due to the temporary control and the scope of application of the equity method due to their immateriality, pursuant to Article 5, Paragraph 1, Section 1 and Article 7, Paragraph 2 of the regulations concerning interim consolidated financial statements, respectively.

Other unconsolidated subsidiaries are excluded from the scope of consolidation and the scope of application of the equity method due to their immateriality to the financial position or operational results of the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**CONSOLIDATED**

Major consolidated subsidiaries as of September 30, 2020 are listed below:

Name	Location	Percentage ownership
APLUS FINANCIAL Co., Ltd.	Japan	94.9%
Showa Leasing Co., Ltd.	Japan	100.0%
Shinsei Financial Co., Ltd.	Japan	100.0%
Shinsei Trust & Banking Co., Ltd.	Japan	100.0%
Shinsei Securities Co., Ltd.	Japan	100.0%
Shinsei Investment & Finance Limited	Japan	100.0%
UDC Finance Limited	New Zealand	100.0%

All significant inter-company transactions, related account balances and unrealized gains have been eliminated upon consolidation. As of September 30, 2020 the six month period ending dates were September 30 for 58 subsidiaries, December 24 for 1 subsidiary, March 31 for 5 subsidiaries, June 16 for 1 subsidiary, June 30 for 26 subsidiaries, July 31 for 1 subsidiary and August 31 for 1 subsidiary. Regarding the 7 companies and 1 company of the Bank's consolidated subsidiaries which have interim period ends other than September 30, consolidation was performed utilizing their respective six month period-end interim financial statements prepared in accordance with the provisional settlements of accounts performed on September 30 and June 30, and other consolidated subsidiaries have been consolidated utilizing their respective statements. Appropriate adjustments have been made for significant transactions that occurred during the period from the ending dates of their interim period to September 30, 2020.

A major affiliate accounted for by the equity method as of September 30, 2020 is listed below:

Name	Location	Percentage ownership
Jih Sun Financial Holding Co., Ltd.	Taiwan	35.4%

(B) GOODWILL AND INTANGIBLE ASSETS ACQUIRED IN BUSINESS COMBINATIONS

The Bank recognized certain identifiable intangible assets in connection with the acquisitions of its consolidated subsidiaries because they were separable such as contractual or other legal rights.

The customer relationship is amortized by sum-of-the-years digits method or straight-line method, and the sublease contracts are amortized by straight-line method. Their amortization periods are as follows:

Customer relationship	8 years to 20 years
Sublease contracts.....	Subject to the remaining contract years

The excess of the purchase price over the fair value of the net assets acquired, including identified intangible assets, was recorded as goodwill and is being amortized on a consistent basis primarily over 20 years. The amortization period of 20 years is the maximum period allowed under Japanese GAAP and was determined based upon the Bank's business strategy.

With regard to the acquisitions executed before April 1, 2010, recorded with the previous accounting standard, when the purchase price was lower than the fair value of

the net assets acquired, including identified intangible assets, the difference was recorded as negative goodwill and has been amortized on a straight-line basis primarily over 20 years, which is the maximum period allowed under the previous accounting standard.

(C) IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS ACQUIRED IN BUSINESS COMBINATIONS

The Bank conducts impairment testing for goodwill and intangible assets acquired in business combinations as a result of certain triggering events including:

- A result or an indication of an operating loss or negative cash flow for two consecutive years
- Impairment of underlying investment securities is recognized
- A material adverse change in the business environment surrounding subsidiaries, such as a change in law which significantly and negatively impacts their business
- Management decisions that could have an adverse effect on the value of goodwill and intangible assets which were acquired in business combination

As the first step of the impairment test, we estimate the undiscounted future cash flows of the business. If the value of the undiscounted future cash flows is less than the book value of the net assets, including goodwill and intangible assets acquired in business combination, of the business, it is determined that impairment exists.

The next step of the impairment test is to measure the amount of the impairment loss, which is to compare the "value in use," which is the recoverable amount calculated as the discounted value of future cash flows of the business, with the net asset book value which includes unamortized balances of goodwill and intangible assets acquired in business combination.

Finally, the impairment loss on goodwill is calculated as the residual, (i) less (ii) below.

(i) Impairment loss for the total of goodwill and intangible assets acquired in business combination is recognized as an amount by which the net asset book value exceeds the "value in use." The recoverable amount of intangible assets acquired in business combination is determined by discounted cash flow method ("DCF method"), which is also used to measure the acquired assets, and (ii) the impairment loss of intangible assets acquired in business combinations, is determined as the difference between the recoverable amount and book value.

(D) TRANSLATION OF FOREIGN CURRENCY FINANCIAL STATEMENTS AND TRANSACTIONS

- (a) The interim financial statements of consolidated foreign subsidiaries are translated into Japanese yen at exchange rates as of their respective balance sheet dates, except for equity, which is translated at historical exchange rates. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity in the accompanying consolidated balance sheets.
- (b) Foreign currency accounts held by consolidated foreign subsidiaries are translated into the functional currency of each subsidiary at exchange rates as of their respective balance sheet dates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONSOLIDATED

(c) Foreign currency-denominated assets and liabilities of the Bank and consolidated domestic subsidiaries are translated into Japanese yen at exchange rates as of their respective balance sheet dates, except for investments in unconsolidated subsidiaries and affiliates which are translated at the relevant historical exchange rates.

(E) CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the interim consolidated statement of cash flows, consist of cash on hand, due from the Bank of Japan and noninterest-bearing deposits.

(F) OTHER MONETARY CLAIMS PURCHASED

Other monetary claims purchased held for trading purposes, except for those included in trading accounts, are recorded at fair value and unrealized gains and losses are recorded in "Other business income (loss), net."

(G) VALUATION OF TRADING ACCOUNT ACTIVITIES

Trading account positions entered into to generate gains arising from short-term changes in interest rates, currency exchange rates or market prices of financial instruments and other market-related indices, or from price differences among markets, are included in "Trading assets" and "Trading liabilities" on a trade-date basis.

Trading securities and monetary claims purchased for trading purposes are stated at market value and derivative financial instruments related to trading positions are stated at fair value based on estimated amounts that would be settled in cash if such positions were terminated at the end of the period, which reflects liquidity and credit risks.

Trading income and trading losses include interest received and paid during the period and unrealized gains and losses resulting from the change in the value of securities, monetary claims purchased, and derivatives between the beginning and the end of the period.

(H) MONETARY ASSETS HELD IN TRUST

The components of trust assets are accounted for based on the accounting standards appropriate for each asset type. Instruments held in trust for trading purposes are recorded at fair value and unrealized gains and losses are recorded in "Other business income (loss), net." Instruments held in trust classified as available-for-sale are recorded at fair value with the corresponding unrealized gains and losses recorded directly in a separate component of equity.

Instruments held in trust classified as available-for-sale of which fair value cannot be reliably determined are carried at cost.

(I) SECURITIES

Securities other than securities in (G) VALUATION OF TRADING ACCOUNT ACTIVITIES are classified into the four categories, principally based on management's intent to own the security, as follows:

(a) Trading securities are securities held in anticipation of gains arising from short-term changes in market value and/or held for resale to customers. Trading securities are carried at fair value with corresponding unrealized gains and losses recorded in "Other business income (loss), net."

(b) Securities being held to maturity are debt securities which management has both a positive intent and ability to hold until maturity. Securities being held to maturity are carried at amortized cost determined by the moving average method.

(c) Available-for-sale securities are securities other than (a) trading securities and (b) securities being held to maturity. Available-for-sale securities are carried at fair value with the corresponding unrealized gains and losses, net of applicable taxes, recorded directly in a separate component of equity, after deducting the amount charged to profit or loss by applying fair value hedge accounting. The cost of these securities upon sale is determined by the moving average method. Available-for-sale securities for which fair value cannot be reliably determined are carried at cost determined by the moving average method.

(d) Investments in unconsolidated subsidiaries and affiliates that are not accounted for by the equity method are carried at cost determined by the moving average method. In addition, investments in partnerships and others are carried at the amount of the Group's share of net asset value in their most recent financial statements.

In the event individual securities (except for those whose fair value cannot be reliably determined), other than trading securities, experience a decline in fair value which is significant as compared to the acquisition cost of such securities, the securities are written down as the decline in fair value is deemed to be other than temporary.

(J) PREMISES AND EQUIPMENT

"Premises and equipment" are stated at cost less accumulated depreciation.

Depreciation of the Group's buildings and the Bank's computer equipment (including ATMs) other than personal computers is computed principally using the straight-line method, and depreciation of other equipment is computed principally using the declining-balance method. Estimated useful lives of buildings and equipment as of September 30, 2020 are principally as follows:

Buildings	3 years to 50 years
Equipment.....	2 years to 20 years

(K) SOFTWARE

Capitalized software for internal use is depreciated using the straight-line method based on the Group's estimated useful lives (primarily 5 years to 15 years).

(L) IMPAIRMENT OF LONG-LIVED ASSETS

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of an asset or asset group. The impairment loss is measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the sum of discounted cash flows from the continuing use and eventual disposition of the asset, or the net selling price at disposition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**CONSOLIDATED****(M) DEFERRED CHARGES**

Deferred issuance expenses for corporate bonds are amortized using the straight-line method over the term of the corporate bonds.

(N) RESERVE FOR CREDIT LOSSES

The reserve for credit losses of the Bank and the consolidated domestic trust and banking subsidiary has been established as described below based on the Bank's internal rules for establishing the reserve.

For claims to obligors who are undergoing bankruptcy, special liquidation proceedings or similar legal proceedings ("legally bankrupt obligors") or to obligors who have not yet legally or formally gone bankrupt but who are substantially in bankruptcy because they are in serious financial difficulties and are not deemed to be capable of restructuring ("virtually bankrupt obligors"), a specific reserve is provided based on the amount of claims, after the charge-off stated below, net of amounts expected to be collected through the disposal of collateral or execution of guarantees.

For claims to obligors who are not yet in bankruptcy but are in financial difficulties and are very likely to go bankrupt in the future ("possibly bankrupt obligors"), except for claims to obligors with larger amount than predetermined one, a specific reserve is provided by forecasting a loss amount expected from the net amount for the next three years, which is the amount deducting amounts expected to be collectible through the disposal of collateral and execution of guarantees from the claim amount.

With regard to claims to possibly bankrupt obligors, restructured loans and certain claims for which the reserve has been provided based on the DCF method (as mentioned below) in previous fiscal years, provided that obligors' cash flows for debt service are reasonably estimable and the balance of claims to such obligors is at or larger than a predetermined amount, the reserve for credit losses is determined as the difference between (i) relevant estimated cash flows discounted by the original contractual interest rate and (ii) the book value of the claim ("DCF method"). In cases where it is difficult to reasonably estimate future cash flows, the reserve is provided based on the expected loss amount for the remaining term of respective claims.

For other claims, the reserve for credit losses is recorded by forecasting an expected loss amount of loans and claims. The expected loss amount is calculated based on the characteristics of the portfolio. The portfolio is divided into loans for general non-financial corporations, real estate non-recourse loans, project finance and products for individual customers, and their loss rates are calculated from their average credit loss rates or bankruptcy rates during certain past periods calculated mainly based on their actual credit loss or bankruptcies during their average life. The loss in each portfolio, which is calculated based on the loss rate and added necessary adjustments, is aggregated into the expected loss.

For specific foreign claims, there is a reserve for loans to restructuring countries which has been provided based on losses estimated by considering the political and economic conditions in those countries.

All claims are assessed by sales promotion divisions and credit analysis divisions based on the predetermined internal rules for self-assessment of asset quality. The risk management divisions, which are independent from sales promotion divisions and credit analysis divisions, conduct verifications of these assessments, and additional reserves may be provided based on the verification results.

The consolidated subsidiaries other than the domestic trust and banking subsidiary calculate the general reserve for general claims based on the actual historical loss ratio, and the specific reserve for claims to possibly bankrupt obligors, virtually bankrupt obligors and legally bankrupt obligors based on estimated losses, considering the recoverable value.

For collateralized or guaranteed claims of the Bank and certain consolidated subsidiaries to legally bankrupt obligors or virtually bankrupt obligors, the amount of claims exceeding the estimated value of collateral or guarantees, which is deemed uncollectible, has been charged off in principal and totaled ¥51,822 million (U.S. \$490,841 thousand) and ¥48,787 million as of September 30, 2020 and March 31, 2020, respectively.

(Additional information)

The Group assumes that the spread of the COVID-19 infection and the impact of weaker economic activities caused by this spread will continue for the next six months until March 31, 2021, and that the impact will remain in credit risks for loans and claims to the specific obligors for next few years. In particular, the Group assumes that the credit risk of loans and claims of the Bank and certain consolidated subsidiaries to the specific obligors and industries will be affected seriously. Also, the Group reassesses the above assumptions for loans and claims to the specific obligors as at March 31, 2020, regarding the period during which the credit risks on certain assets would be affected by the spread of the COVID-19 infection in the light of circumstances.

Based on the above reassessed assumptions, the Group revised the specific obligors and specific industries which would be affected by the spread of the COVID-19 infection, and provisioned an additional reserve for credit losses in order to prepare for future losses. The balances of those additional reserves were ¥6,652 million (U.S. \$63,010 thousand) and ¥7,011 million as of September 30, 2020 and March 31, 2020, respectively. The reserve is recalculated by reclassifying the obligor classification of specific obligors based on their recent performance deterioration and by the expected loss rate reflecting the performance deterioration in the actual credit losses in portfolios for specific industries.

The amount of reserve for credit losses is the best estimate at this point, however, the assumption used for the estimate is highly uncertain. The reserves to be recorded in the consolidated financial statements after this interim period, may therefore increase or decrease according to the COVID-19 infection and its impact on the economic environment change.

(O) ACCRUED BONUSES FOR EMPLOYEES AND DIRECTORS

Accrued bonuses for employees and directors are provided in the amount of the estimated bonuses which are attributable to each period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONSOLIDATED

(P) EMPLOYEES' RETIREMENT BENEFITS AND PENSION PLAN ASSETS

The Bank has a noncontributory defined benefit pension plan. APLUS Co., Ltd. ("APLUS") and Showa Leasing Co., Ltd. ("Showa Leasing") have noncontributory defined benefit pension plans and unfunded severance indemnity plans. Shinsei Financial Co., Ltd. ("Shinsei Financial") and certain consolidated domestic subsidiaries have unfunded severance indemnity plans. These plans cover substantially all of the Group's employees.

The Group accounts for liabilities or assets for retirement benefits based on the projected benefit obligations and plan assets at the consolidated balance sheet date. The projected benefit obligations are allocated over the periods on a benefit formula basis. Actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized as "Accumulated other comprehensive income" in equity after tax effects, and are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees.

Certain consolidated subsidiaries recognize retirement benefit obligations at the amount that would be payable if employees retired voluntarily at the consolidated balance sheet date.

(Q) RESERVE FOR DIRECTORS' RETIREMENT BENEFITS

The reserve for director's retirement benefits is provided for the payment of director's retirement benefits for a certain consolidated subsidiary based on the amount that would be required if all directors retired at each interim balance sheet date.

(R) RESERVE FOR REIMBURSEMENT OF DEPOSITS

The reserve for reimbursement of deposits is provided for estimated losses on future reimbursement requests of deposits derecognized from liabilities.

(S) RESERVE FOR REIMBURSEMENT OF DEBENTURES

The reserve for reimbursement of debentures is provided for estimated losses on future reimbursement requests of debentures derecognized from liabilities.

(T) RESERVE FOR LOSSES ON INTEREST REPAYMENTS

The reserve for losses on interest repayments is provided for estimated losses on reimbursements of excess interest payments and loan losses related to consumer finance loans extended at interest rates in excess of the maximum interest rate prescribed in the Interest Rate Restriction Act of Japan. The reserve is established in the amount of the estimated future reimbursement requests based on past experience.

(U) ASSET RETIREMENT OBLIGATIONS

An asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset. The asset retirement obligation is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability.

The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

(V) STOCK OPTIONS

The Group measures the cost of stock options based on the fair value at the grant date and recognizes compensation expense over the vesting period as consideration for receiving goods or services. In the interim consolidated balance sheet, stock options are presented as "Stock acquisition rights" in a component of equity until the exercise of the right or the expiration of the period.

(W) LEASE TRANSACTIONS

(As lessee)

Finance lease transactions are capitalized by recognizing lease assets and lease obligations in the interim consolidated balance sheet.

Depreciation of lease assets from finance lease transactions that are deemed to transfer ownership of the leased property to the lessee, is computed using the same method as the one applied to owned assets. Depreciation of lease assets from finance lease transactions that are not deemed to transfer ownership of the leased property to the lessee is computed using the straight-line method over the leasing period. Residual values of lease assets are the guaranteed value determined in the lease contracts or zero for assets without such guaranteed value.

(As lessor)

The Group recognizes finance leases that are deemed to transfer ownership of the leased property to the lessee as lease receivables, and finance leases that are not deemed to transfer ownership of the leased property to the lessee as leased investment assets.

In addition, depreciation of tangible leased assets as lessor for operating lease transactions is computed using the straight-line method over the leasing period assuming that residual values are the disposal price estimable at the end of the estimated leasing period.

Profit on each finance lease transaction is calculated on the basis of the internal rate of return of each transaction.

With regard to finance lease transactions entered into prior to April 1, 2008, that are not deemed to transfer ownership of the leased property to the lessee, leased investment assets are recognized at those book values of leased properties as of March 31, 2008, according to the transitional provision of the accounting standard.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONSOLIDATED

As a result of this transitional treatment, "Income before income taxes" increased by ¥34 million (U.S.\$330 thousand) and ¥33 million for the six months ended September 30, 2020 and 2019, respectively, as compared to what would have been reported if the revised accounting standard was applied retroactively to all finance lease transactions as lessor.

(X) INSTALLMENT SALES FINANCE AND CREDIT GUARANTEES

Fees from installment sales finance have principally been prorated over the respective installment periods by using the sum-of-the-months digits method, or by using the credit-balance method.

Fees from credit guarantees have been recognized by the sum-of-the-months digits method, the straight-line method or the credit-balance method over the contract terms.

(Y) REVENUE RECOGNITION FOR INTEREST ON CONSUMER LENDING BUSINESS

Consolidated subsidiaries specializing in the consumer lending business accrued interest income at the balance sheet date at the lower of the amount determined using a rate permissible under the Interest Rate Restriction Act of Japan and the amount determined using rates on contracts with customers.

(Z) INCOME TAXES

Deferred income taxes relating to temporary differences between financial reporting and tax bases of assets and liabilities and tax loss carryforwards have been recognized. The asset and liability approach is used to recognize deferred income taxes.

The Bank files its corporate income tax return under the consolidated corporate tax system, which allows companies to base tax payments on the combined profits and losses of the Bank and its wholly-owned domestic subsidiaries.

A valuation allowance is deducted from the carrying amount of deferred tax assets to the extent that it is not considered that taxable profit will be estimated to be sufficient enough to allow the benefit of part or all of the deferred tax assets to be realized.

Pursuant to the transitional treatment of the paragraph 3 of "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (ASBJ Practical Issues Task Force (PITF) No. 39, March 31, 2020, which is prescribed after the institution of the "Act on Partial Revision of the Income Tax Act" (Act No.8 of 2020) which is the law revising nonconsolidated tax system, the Bank and certain consolidated domestic subsidiaries record the amounts of deferred tax assets and deferred tax liabilities on the related items in accordance with the provisions of the previous tax law, not applying 44 of "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No.28, February 16, 2018).

(AA) DERIVATIVES AND HEDGE ACCOUNTING

Derivatives are stated at fair value. Except for derivatives in (G) VALUATION OF TRADING ACCOUNT ACTIVITIES, derivative transactions that meet the hedge accounting criteria are primarily accounted for using the deferral method whereby unrealized gains and losses are deferred in a separate component of equity until the gains and losses on the hedged items are realized.

(a) Hedge of interest rate risks

Derivative transactions that meet the hedge accounting criteria for mitigating interest rate risks of the Bank's financial assets and liabilities are accounted for using the deferral method. The Bank adopted portfolio hedging to determine the effectiveness of its hedging instruments in accordance with "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in the Banking Industry" (Industry Audit Committee Report No. 24 issued, on February 13, 2002, by the Japanese Institute of Certified Public Accountants ("JICPA")). Under portfolio hedging activities to mitigate the change in fair value, a portfolio of hedged items with common maturities such as deposits or loans is designated and matched with a group of hedging instruments such as interest rate swaps, which offset the effect of fair value fluctuations of the hedged items by identified maturities. The effectiveness of portfolio hedging is assessed by each group.

As for portfolio hedging activities to fix cash flows, the effectiveness is assessed based on the correlation between the base interest rate index of the hedged cash flow and that of the hedging instrument.

Certain foreign subsidiaries, which are adopting International Financial Reporting Standards ("IFRS"), apply cash flow hedges. The portion of the change in fair value of the hedging instrument that is effective as a hedge is recognized in "Deferred gain (loss) on derivatives under hedge accounting" of other comprehensive income and the portion that is not effective as hedge is recognized in net income and losses.

The interest rate swaps of certain consolidated subsidiaries which qualify for hedge accounting and meet specific matching criteria are not measured at fair value, but the net payments or receipts under the swap agreements are recognized and included in interest expenses or income. Other certain consolidated subsidiaries apply deferral hedge accounting.

(b) Hedge of foreign exchange fluctuation risks

The Bank applies either deferral hedge accounting or fair value hedge accounting in accordance with "Accounting and Auditing Treatment of Accounting Standards for Foreign Exchange Transactions in the Banking Industry" (Industry Audit Committee Report No. 25 issued, on July 29, 2002, by of the JICPA), to the derivative transactions that meet the hedge accounting criteria for mitigating foreign currency fluctuation risks of its financial assets and liabilities.

Funding swap transactions are foreign exchange swaps, and consist of spot foreign exchange contracts bought or sold and forward foreign exchange contracts bought or sold. Such transactions are contracted for the purpose of

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONSOLIDATED

lending or borrowing in a different currency and converting the corresponding principal equivalents and foreign currency equivalents to pay and receive, whose amounts and due dates are predetermined at the time of the transactions, into forward foreign exchange contracts bought or sold.

Under deferral hedge accounting, hedged items are identified by grouping the foreign currency-denominated financial assets and liabilities by currency and designating derivative transactions such as currency swap transactions, funding swap transactions and forward exchange contracts as hedging instruments. Hedge effectiveness is assessed by confirming that the total foreign currency position of the hedged items is equal to or larger than that of hedging instruments.

The Bank also applies deferral hedge accounting and fair value hedge accounting to translation gains or losses from foreign currency assets of net investments in foreign unconsolidated subsidiaries, affiliates and securities available-for-sale (other than bonds denominated in foreign currencies) when such foreign currency exposures recorded as assets are hedged with offsetting foreign currency liabilities and the liabilities equal or exceed the acquisition cost of such foreign currency assets.

(c) Inter-company and intra-company derivative transactions Gains and losses on inter-company and intra-company derivative hedging transactions between the trading book and the banking book are not eliminated since offsetting transactions with third parties are appropriately entered into in conformity with the nonarbitrary and strict hedging policy in accordance with Industry Audit Committee Reports No. 24 and No. 25 of the JICPA. As a result, in the banking book, realized gains and losses on such inter-company and intra-company transactions are reported in current earnings and valuation gains and losses which meet the hedge accounting criteria are deferred. On the other hand, in the trading book, realized gains and losses and valuation gains and losses on such inter-company and intra-company transactions are substantially offset with covering contracts entered into with third parties.

(AB) PER SHARE INFORMATION

Basic earnings per share ("EPS") calculations represent profit attributable to owners of the parent which is available to common shareholders, divided by the weighted average number of outstanding shares of common stock during the respective period, retroactively adjusted for stock splits and reverse stock splits.

Diluted EPS calculations consider the dilutive effect of common stock equivalents, which include stock acquisition rights, assuming that stock acquisition rights were fully exercised at the time of issuance for those issued during the period and at the beginning of the period for those previously issued and outstanding at the beginning of the period.

3. BUSINESS COMBINATION**CONSOLIDATED****(Acquisition of shares of UDC Finance Limited)**

On June 2, 2020, the Bank concluded the share purchase agreement with ANZ Bank New Zealand Limited, the former parent company of UDC Finance Limited. The Bank purchased the whole shares of UDC Finance Limited on September 1, 2020 as the settlement date. As a result, the Bank obtained control of UDC Finance Limited.

(A) Outline of the business combination

(a) Name and business description of the acquired company:

Name: UDC Finance Limited
 Business description: Auto loans for individuals
 Asset-backed financing for corporate clients
 Inventory financing for automobile dealers

(b) Purpose of the acquisition:

For revenue growth of the Group.

(c) The acquisition date:

September 1, 2020

(d) Legal form of the business combination:

Acquisition of shares with cash consideration

(e) Company name after the business combination:

The company name is not changed.

(f) Percentage of voting rights acquired:

100%

(g) Basis for determination of the acquiring company:

The Bank acquired the whole shares by cash

(B) Period of the acquired company's financial result included in the interim consolidated financial statements of the Group

The Bank deems the September 30, 2020 as the acquisition date and consolidated only the balance sheet of UDC Finance Limited in this interim consolidated financial report.

(C) Acquisition costs of the shares and their breakdown

Consideration cash ¥46,990 million (N.Z.\$659 million) (U.S.\$445,069 thousand)

Acquisition cost ¥46,990 million (N.Z.\$659 million) (U.S.\$445,069 thousand)

Note: The settlement was executed by New Zealand dollar and the above translation of Japanese yen amounts to New Zealand dollar amounts are based on the rate of exchange on the acquisition date.

(D) Major acquisition-related costs and their breakdown

Advisory fees, etc. ¥495 million (U.S.\$4,695 thousand)

(E) Amount, reason of the occurrence, and amortization method and period, of goodwill

(a) Amount of goodwill recognized

¥7,161 million (U.S.\$67,825 thousand)

Because the purchase price allocation has not yet been completed as of September 30, 2020, the amount has been provisionally calculated based on information available at the time.

(b) Reason for recognition

Due to expected excess earning power as a result of business expansion in the future.

(c) Amortization method and period

The Bank will estimate the period during which the goodwill will have an effect, and the Bank will amortize the goodwill over the determined period in the way that meets the measured future excess earning power.

(F) Amounts and breakdown of assets and liabilities on the date of the business combination

(a) Assets:

	Millions of yen	Thousands of U.S. dollars
Assets	¥ 249,562	\$ 2,363,733
Loans and bills discounted	122,853	1,163,602
Other assets (Installment receivables)	104,016	985,189

(b) Liabilities:

	Millions of yen	Thousands of U.S. dollars
Liabilities	¥ 210,697	\$ 1,995,623
Borrowed money	62,541	592,357
Corporate bonds	138,368	1,310,556

3. BUSINESS COMBINATION (CONTINUED)

CONSOLIDATED

Note: The Bank was engaged in a detailed assessment of identifiable assets and liabilities as of September 30, 2020, the deemed acquisition date, and the purchase price allocation had not yet been completed. Accordingly, the amounts listed above are provisional.

(G) Description of consideration with post adjustment prescribed on the share purchase agreement and the accounting treatment

Since the clause of the share purchase agreement prescribes that the post adjustment for the consideration will be implemented on the amount calculated based on the difference between the Completion provision amount and the corresponding actual credit losses incurred in a certain period, this may result in an adjustment to the provisional consideration.

The above consideration adjustment should result in an adjustment to the purchase price as of the Completion date, in addition to goodwill and amortization of goodwill.

(H) Approximate amount and their calculation method of impact on the interim consolidated statements of income for the six months ended September 30, 2020, assuming that the business combination had been completed at the beginning of this interim period

The approximate amounts have not been disclosed since they are currently difficult to estimate.

4. CASH AND CASH EQUIVALENTS**CONSOLIDATED**

The reconciliation of cash and cash equivalents and cash and due from banks in the consolidated balance sheets as of September 30, 2020 and 2019 was as follows:

As of September 30,	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Cash and due from banks	¥ 1,659,232	¥ 1,309,158	\$ 15,715,406
Interest-bearing deposits included in due from banks (other than due from the Bank of Japan)	(70,620)	(34,432)	(668,881)
Cash and cash equivalents	¥ 1,588,612	¥ 1,274,726	\$ 15,046,524

5. OTHER MONETARY CLAIMS PURCHASED**CONSOLIDATED**

(a) Other monetary claims purchased as of September 30, 2020 and March 31, 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2020	Mar. 31, 2020	Sept. 30, 2020
Trading purposes	¥ 1,958	¥ 1,931	\$ 18,549
Other	53,133	61,644	503,257
Total	¥ 55,092	¥ 63,575	\$ 521,805

(b) The fair value and the unrealized gain (loss) which is included in net gain (loss) on other monetary claims purchased for trading purposes as of September 30, 2020 and March 31, 2020 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	Sept. 30, 2020		Mar. 31, 2020		Sept. 30, 2020	
	Fair value	Unrealized gain (loss)	Fair value	Unrealized gain (loss)	Fair value	Unrealized gain (loss)
Trading purposes	¥ 1,958	¥ 55	¥ 1,931	¥ (138)	\$ 18,549	\$ 525

6. TRADING ASSETS**CONSOLIDATED**

Trading assets as of September 30, 2020 and March 31, 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2020	Mar. 31, 2020	Sept. 30, 2020
Trading securities	¥ 5,129	¥ 5,533	\$ 48,579
Derivatives for securities held to hedge trading transactions	2,820	2,255	26,715
Trading-related financial derivatives	193,056	205,918	1,828,531
Total	¥ 201,005	¥ 213,707	\$ 1,903,826

7. MONETARY ASSETS HELD IN TRUST**CONSOLIDATED**

(a) Monetary assets held in trust as of September 30, 2020 and March 31, 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2020	Mar. 31, 2020	Sept. 30, 2020
Trading purposes	¥ 7,998	¥ 9,295	\$ 75,757
Other	385,859	405,811	3,654,666
Total	¥ 393,858	¥ 415,107	\$ 3,730,423

(b) The fair value and the unrealized gain or loss which is included in net gain (loss) on monetary assets held in trust for trading purposes as of September 30, 2020 and March 31, 2020 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	Sept. 30, 2020		Mar. 31, 2020		Sept. 30, 2020	
	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
Trading purposes	¥ 7,998	¥ 35	¥ 9,295	¥ 112	\$ 75,757	\$ 339

(c) The acquisition cost and the carrying amount of monetary assets held in trust for other than trading purposes as of September 30, 2020 and March 31, 2020 were as follows:

	Millions of yen							
	Sept. 30, 2020				Mar. 31, 2020			
	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Carrying amount	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Carrying amount
Other	¥ 388,702	¥ 367	¥ 3,210	¥ 385,859	¥ 406,663	¥ 1,060	¥ 1,912	¥ 405,811

	Thousands of U.S. dollars			
	Sept. 30, 2020			
	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Carrying amount
Other	\$ 3,681,597	\$ 3,480	\$ 30,410	\$ 3,654,666

8. SECURITIES**CONSOLIDATED**

(a) Securities as of September 30, 2020 and March 31, 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2020	Mar. 31, 2020	Sept. 30, 2020
Trading securities	¥ 0	¥ 0	\$ 0
Securities being held to maturity	216,227	277,173	2,047,996
Securities available for sale:			
Securities carried at fair value	516,543	564,117	4,892,436
Securities carried at cost whose fair value cannot be reliably determined	41,890	41,789	396,767
Investments in unconsolidated subsidiaries and affiliates	78,564	73,960	744,124
Total	¥ 853,226	¥ 957,040	\$ 8,081,324

The above balances do not include securities held in connection with securities borrowing transactions with or without cash collateral, securities purchased under resale agreements or securities accepted as collateral for derivative transactions, where the Group has the right to sell or pledge such securities without restrictions. The balances of those securities as of September 30, 2020 and March 31, 2020 were ¥2,745 million (U.S.\$26,005 thousand) and ¥5,561 million, respectively.

The amount of guarantee obligations for privately-placed bonds (Paragraph 3 of Article 2 of the Financial Instruments and Exchange Act) included in securities as of September 30, 2020 and March 31, 2020 were ¥3,430 million (U.S.\$32,487 thousand) and ¥3,480 million, respectively.

8. SECURITIES (CONTINUED)

CONSOLIDATED

(b) The amortized/acquisition cost and the fair values of securities (other than trading securities) as of September 30, 2020 and March 31, 2020 were as follows:

	Sept. 30, 2020				Mar. 31, 2020			
	Amortized/ Acquisition cost	Gross unrealized gain	Gross unrealized loss	Fair value	Amortized/ Acquisition cost	Gross unrealized gain	Gross unrealized loss	Fair value
Millions of yen								
Securities being held to maturity:								
Japanese national government bonds	¥ 216,227	¥ 1,103	–	¥ 217,330	¥ 277,173	¥ 1,596	–	¥ 278,770
Total	¥ 216,227	¥ 1,103	–	¥ 217,330	¥ 277,173	¥ 1,596	–	¥ 278,770
Securities available for sale:								
Equity securities	¥ 6,598	¥ 5,140	¥ 214	¥ 11,523	¥ 6,749	¥ 4,083	¥ 179	¥ 10,653
Japanese national government bonds	94,735	63	500	94,298	83,783	216	581	83,418
Japanese local government bonds	–	–	–	–	–	–	–	–
Japanese corporate bonds	164,316	568	2,278	162,607	169,430	603	1,334	168,699
Foreign securities	247,587	1,315	910	247,993	303,156	1,955	3,876	301,236
Other ¹	25,802	374	2	26,174	32,247	549	14	32,782
Total	¥ 539,040	¥ 7,463	¥ 3,906	¥ 542,597	¥ 595,367	¥ 7,408	¥ 5,986	¥ 596,790

Thousands of U.S. dollars

	Sept. 30, 2020			
	Amortized/ Acquisition cost	Gross unrealized gain	Gross unrealized loss	Fair value
Securities being held to maturity:				
Japanese national government bonds	\$2,047,996	\$ 10,447	–	\$2,058,444
Total	\$2,047,996	\$ 10,447	–	\$2,058,444
Securities available for sale:				
Equity securities	\$ 62,495	\$ 48,687	\$ 2,034	\$ 109,148
Japanese national government bonds	897,286	603	4,740	893,148
Japanese local government bonds	–	–	–	–
Japanese corporate bonds	1,556,324	5,388	21,581	1,540,132
Foreign securities	2,345,024	12,461	8,622	2,348,864
Other ¹	244,387	3,551	25	247,913
Total	\$5,105,518	\$ 70,690	\$ 37,003	\$5,139,205

Note: 1 This includes other monetary claims purchased whose fair value can be reliably determined.

In the event individual securities (except for those whose fair value cannot be reliably determined), other than trading securities, experience a decline in fair value which is significant as compared to the acquisition cost of such securities, the securities are written down as the decline in fair value is deemed to be other than temporary, and the difference is recorded as an impairment loss.

Impairment loss on such securities for the six months ended September 30, 2020, was ¥94 million (U.S.\$891 thousand), which was related to Japanese corporate bonds.

Impairment loss on such securities for the fiscal year ended March 31, 2020, was ¥1,083 million, which consisted of ¥660 million for equity securities and ¥422 million for Japanese corporate bonds.

The Group's rules for the determination of whether an other-than-temporary impairment has occurred differ by the obligor classification of the security issuer based upon the Group's self-assessment guidelines. The details of these rules are as follows:

Securities issued by "legally bankrupt," "virtually bankrupt" and "possibly bankrupt" obligors	The fair value of securities is less than the amortized/acquisition cost
Securities issued by "need caution" obligors	The fair value of securities declines by 30% or more compared to the amortized/acquisition cost
Securities issued by "normal" obligors	The fair value of securities declines by 50% or more compared to the amortized/acquisition cost

"Legally bankrupt" obligors are those who have already gone bankrupt from a legal and/or formal perspective.

"Virtually bankrupt" obligors are those who have not yet legally or formally gone bankrupt but who are substantially in bankruptcy because they are in serious financial difficulties and are not deemed to be capable of restructuring.

"Possibly bankrupt" obligors are those who are not yet in bankruptcy but are in financial difficulties and are very likely to go bankrupt in the future.

"Need caution" obligors are those who are in need of close attention because there are problems with their borrowings.

"Normal" obligors are those whose business conditions are favorable and who are deemed not to have any particular problems in their financial position.

8. SECURITIES (CONTINUED)

CONSOLIDATED

(c) Unrealized gain (loss) on available-for-sale securities as of September 30, 2020 and March 31, 2020 consisted of the following:

	Millions of yen		Thousands of
	Sept. 30, 2020	Mar. 31, 2020	U.S. dollars
Unrealized gain (loss) before deferred tax on:			Sept. 30, 2020
Available-for-sale securities	¥ 3,556	¥ 1,422	\$ 33,687
The Group's interests in available-for-sale securities held by partnerships recorded as securities whose fair value cannot be reliably determined and other adjustments	(2,155)	(1,846)	(20,418)
Other monetary assets held in trust	(2,843)	(851)	(26,930)
Deferred tax liabilities	(590)	(86)	(5,596)
Unrealized gain (loss) on available-for-sale securities before interest adjustments	(2,033)	(1,362)	(19,257)
Noncontrolling interests	36	22	342
The Group's interests in unrealized gain (loss) on available-for-sale securities held by affiliates to which the equity method is applied	6,634	6,095	62,841
Unrealized gain (loss) on available-for-sale securities	¥ 4,637	¥ 4,755	\$ 43,926

9. LOANS AND BILLS DISCOUNTED

CONSOLIDATED

Loans and bills discounted as of September 30, 2020 and March 31, 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2020	Mar. 31, 2020	Sept. 30, 2020
Loans on deeds	¥ 4,460,999	¥ 4,337,743	\$ 42,252,313
Loans on bills	14,975	15,426	141,843
Bills discounted	810	1,855	7,678
Overdrafts	727,332	755,379	6,888,927
Total	¥ 5,204,118	¥ 5,110,404	\$ 49,290,762

(a) Risk-monitored loans

Loans and bills discounted included loans to bankrupt obligors of ¥3,616 million (U.S.\$34,254 thousand) and ¥4,555 million as of September 30, 2020 and March 31, 2020, respectively, as well as nonaccrual delinquent loans of ¥48,216 million (U.S.\$456,684 thousand) and ¥35,335 million as of September 30, 2020 and March 31, 2020, respectively.

Nonaccrual delinquent loans include loans classified as “possibly bankrupt” and “virtually bankrupt” under the Group’s self-assessment guidelines.

In addition to nonaccrual delinquent loans as defined, certain other loans classified as “substandard” under the Group’s self-assessment guidelines include loans past due for three months or more.

Loans past due for three months or more consist of loans for which the principal and/or interest is three months or more past due, but excluding loans to bankrupt obligors and nonaccrual delinquent loans. The balances of loans past due for three months or more as of September 30, 2020 and March 31, 2020 were ¥1,550 million (U.S.\$14,690 thousand) and ¥646 million, respectively.

Restructured loans are loans where the Group relaxes lending conditions, such as by reducing the original interest rate, or by forbearing interest payments or principal repayments to support the borrower’s reorganization, but excluding loans to bankrupt obligors, nonaccrual delinquent loans or loans past due for three months or more. The outstanding balances of restructured loans as of September 30, 2020 and March 31, 2020 were ¥54,870 million (U.S.\$519,706 thousand) and ¥46,680 million, respectively.

(b) Loan participations

The total amounts accounted for as the transfer of loans by loan participations as of September 30, 2020 and March 31, 2020 were ¥6,471 million (U.S.\$61,291 thousand) and ¥6,813 million, respectively. This “off-balance sheet” treatment is in accordance with guidelines issued by the JICPA. The total amounts of such loans in

which the Bank participated were ¥13,965 million (U.S.\$132,275 thousand) and ¥15,527 million as of September 30, 2020 and March 31, 2020, respectively.

(c) Bills discounted

Bills discounted, such as bank acceptances bought, commercial bills discounted, documentary bills and foreign exchange contracts bought, are accounted for as financing transactions in accordance with Industry Audit Committee Report No. 24 issued by the JICPA, although the Group has the right to sell or pledge them without restrictions. The face amounts of such bills discounted held as of September 30, 2020 and March 31, 2020 were ¥810 million (U.S.\$7,678 thousand) and ¥1,855 million, respectively.

(d) Loan commitments

The Bank and certain consolidated subsidiaries set credit lines of overdrafts and issue commitments to extend credit to meet the financing needs of customers. The unfulfilled amounts of these commitments were ¥2,366,243 million (U.S.\$22,411,858 thousand) and ¥2,231,143 million as of September 30, 2020 and March 31, 2020, out of which the amounts with the commitments of the agreements expiring within one year or being able to be cancelled at any time with no condition were ¥2,035,432 million (U.S.\$19,278,579 thousand) and ¥1,923,757 million as of September 30, 2020 and March 31, 2020, respectively. Since a large majority of these commitments expire without being drawn upon, the unfulfilled amounts do not necessarily represent future cash requirements. Many such agreements include conditions granting the Bank and its consolidated subsidiaries the right to reject the drawdown or to reduce the amount on the basis of changes in the financial circumstances of the borrower or other reasonable grounds.

In addition, the Bank obtains collateral when necessary to reduce credit risk related to these commitments.

10. FOREIGN EXCHANGES**CONSOLIDATED**

Foreign exchange assets and liabilities as of September 30, 2020 and March 31, 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2020	Mar. 31, 2020	Sept. 30, 2020
Foreign exchange assets:			
Due from foreign banks	¥ 64,578	¥ 73,879	\$ 611,653
Total	¥ 64,578	¥ 73,879	\$ 611,653
Foreign exchange liabilities:			
Foreign bills payable	¥ 1,208	¥ 687	\$ 11,450
Total	¥ 1,208	¥ 687	\$ 11,450

11. OTHER ASSETS**CONSOLIDATED**

Other assets as of September 30, 2020 and March 31, 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2020	Mar. 31, 2020	Sept. 30, 2020
Accrued income	¥ 14,168	¥ 15,729	\$ 134,195
Prepaid expenses	6,938	5,105	65,721
Fair value of derivatives	59,822	71,540	566,611
Accounts receivable	42,993	45,603	407,216
Installment receivables	792,829	670,716	7,509,279
Security deposits	14,122	14,227	133,760
Suspense payments	16,722	14,817	158,391
Margin deposits for futures transactions	5,709	4,783	54,078
Cash collateral paid for financial instruments	59,250	69,129	561,194
Other	89,780	95,952	850,355
Total	¥ 1,102,339	¥ 1,007,605	\$ 10,440,800

Installment receivables in "Other assets" as of September 30, 2020 and March 31, 2020 include credits to bankrupt obligors of ¥71 million (U.S.\$676 thousand) and ¥3 million, nonaccrual delinquent credits of ¥6,585 million (U.S.\$62,371 thousand) and ¥5,643 million, credits past

due for three months or more of ¥209 million (U.S.\$1,987 thousand) and ¥265 million, and restructured credits of ¥2,596 million (U.S.\$24,590 thousand) and ¥1,007 million, respectively.

12. PREMISES AND EQUIPMENT**CONSOLIDATED**

Premises and equipment as of September 30, 2020 and March 31, 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2020	Mar. 31, 2020	Sept. 30, 2020
Buildings	¥ 29,475	¥ 29,227	\$ 279,179
Land	2,665	2,665	25,246
Tangible leased assets as lessor	80,116	81,253	758,821
Other	25,003	26,864	236,822
Subtotal	137,261	140,010	1,300,069
Accumulated depreciation	(71,065)	(70,596)	(673,095)
Net book value	¥ 66,195	¥ 69,414	\$ 626,973

13. INTANGIBLE ASSETS**CONSOLIDATED**

Intangible assets as of September 30, 2020 and March 31, 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2020	Mar. 31, 2020	Sept. 30, 2020
Software	¥ 50,581	¥ 52,405	\$ 479,082
Goodwill, net:			
Goodwill	19,219	13,346	182,035
Negative goodwill	(2,538)	(2,719)	(24,041)
Intangible assets acquired in business combinations	2,322	2,496	21,999
Intangible leased assets as lessor	65	65	619
Other	1,334	1,479	12,641
Total	¥ 70,985	¥ 67,073	\$ 672,335

14. RESERVE FOR CREDIT LOSSES**CONSOLIDATED**

Reserve for credit losses as of September 30, 2020 and March 31, 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2020	Mar. 31, 2020	Sept. 30, 2020
Reserve for loan losses:			
General reserve for loan losses	¥ 76,586	¥ 77,251	\$ 725,390
Specific reserve for loan losses	33,107	30,746	313,577
Total	¥ 109,694	¥ 107,998	\$ 1,038,968

15. DEPOSITS, INCLUDING NEGOTIABLE CERTIFICATES OF DEPOSIT**CONSOLIDATED**

Deposits, including negotiable certificates of deposit, as of September 30, 2020 and March 31, 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2020	Mar. 31, 2020	Sept. 30, 2020
Current	¥ 41,393	¥ 78,937	\$ 392,062
Ordinary	2,637,883	2,598,675	24,984,694
Notice	3,093	3,353	29,297
Time	2,709,294	2,652,189	25,661,062
Negotiable certificates of deposit	438,627	455,950	4,154,454
Other	563,668	516,055	5,338,783
Total	¥ 6,393,961	¥ 6,305,161	\$ 60,560,352

16. TRADING LIABILITIES**CONSOLIDATED**

Trading liabilities as of September 30, 2020 and March 31, 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2020	Mar. 31, 2020	Sept. 30, 2020
Derivatives for trading securities	¥ 1,454	¥ 1,027	\$ 13,779
Derivatives for securities held to hedge trading transactions	836	958	7,923
Trading-related financial derivatives	170,554	181,957	1,615,409
Total	¥ 172,846	¥ 183,943	\$ 1,637,110

17. BORROWED MONEY**CONSOLIDATED**

(a) Borrowed money as of September 30, 2020 and March 31, 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2020	Mar. 31, 2020	Sept. 30, 2020
Total amount of borrowed money	¥ 880,491	881,991	\$8,339,567

¹ Borrowed money does not include subordinated debt as of September 30, 2020 and March 31, 2020.

(b) Annual maturities of borrowed money as of September 30, 2020 were as follows:

Year ending September 30,	Millions of yen	Thousands of U.S. dollars
2021	¥ 501,315	\$ 4,748,202
2022	117,709	1,114,887
2023	82,553	781,903
2024	49,514	468,979
2025 and thereafter	129,398	1,225,597
Total	¥ 880,491	\$ 8,339,567

18. CORPORATE BONDS**CONSOLIDATED**

(a) Corporate bonds as of September 30, 2020 and March 31, 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2020	Mar. 31, 2020	Sept. 30, 2020
Total amount of corporate bonds	¥ 353,368	¥ 166,500	\$3,346,926

¹ Corporate bonds do not include subordinated corporate bonds as of September 30, 2020 and March 31, 2020.

(b) Annual maturities of corporate bonds as of September 30, 2020 were as follows:

Year ending September 30,	Millions of yen	Thousands of U.S. dollars
2021	¥ 5,000	\$ 47,357
2022	10,000	94,715
2023	80,000	757,719
2024	20,000	189,430
2025 and thereafter	238,368	2,257,705
Total	¥ 353,368	\$ 3,346,926

19. OTHER LIABILITIES**CONSOLIDATED**

Other liabilities as of September 30, 2020 and March 31, 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2020	Mar. 31, 2020	Sept. 30, 2020
Accrued expenses	¥ 8,929	¥ 11,193	\$ 84,572
Unearned income	24,513	24,362	232,176
Income taxes payable	4,761	3,697	45,098
Fair value of derivatives	60,450	85,078	572,560
Accounts payable	54,956	89,233	520,525
Deferred gains on installment receivables and credit guarantees	32,111	31,671	304,144
Asset retirement obligations	9,740	9,662	92,255
Deposits payable	119,909	112,165	1,135,725
Cash collateral received for financial instruments	33,714	25,114	319,328
Other	10,350	12,794	98,035
Total	¥ 359,438	¥ 404,973	\$ 3,404,416

20. ACCEPTANCES AND GUARANTEES**CONSOLIDATED**

Acceptances and guarantees as of September 30, 2020 and March 31, 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2020	Mar. 31, 2020	Sept. 30, 2020
Guarantees	¥ 544,275	¥ 526,520	\$5,155,098

21. ASSETS PLEDGED AS COLLATERAL**CONSOLIDATED**

Assets pledged as collateral and liabilities collateralized as of September 30, 2020 and March 31, 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2020	Mar. 31, 2020	Sept. 30, 2020
Assets pledged as collateral:			
Cash and due from banks	¥ 10	¥ 10	\$ 95
Trading assets	5,049	5,051	47,826
Monetary assets held in trust	304	236	2,881
Securities	363,289	422,778	3,440,897
Loans and bills discounted	950,127	896,986	8,999,121
Lease receivables and leased investment assets	8,868	2,309	83,999
Other assets	157,644	67,537	1,493,131
Premises and equipment	3,323	4,255	31,483
Liabilities collateralized:			
Deposits, including negotiable certificates of deposit	¥ 1,023	¥ 1,099	\$ 9,695
Payables under repurchase agreements	11,069	38,956	104,847
Payables under securities lending transactions	311,171	347,377	2,947,254
Borrowed money	404,783	355,969	3,833,902
Corporate bonds	138,368	—	1,310,556
Other liabilities	17	16	162
Acceptances and guarantees	269	331	2,556

In addition, ¥5,709 million (U.S.\$54,078 thousand) and 4,783 million of margin deposits for futures transactions outstanding, ¥14,122 million (U.S.\$133,760 thousand) and ¥14,227 million of security deposits, ¥59,250 million (U.S.\$561,194 thousand) and ¥69,129 million of cash collateral paid for financial instruments, nil and ¥47 million of guarantee deposits under resale agreements and

repurchase agreements, ¥169 million (U.S.\$1,606 thousand) and ¥195 million of margin on foreign exchange and ¥50,000 million (U.S.\$473,575 thousand) and ¥50,000 million of cash collateral for Zengin-net were included in "Other assets" as of September 30, 2020 and March 31, 2020, respectively.

22. EQUITY**CONSOLIDATED**

The authorized number of shares of common stock as of September 30, 2020 was 400,000 thousand shares.

The following table shows changes in the number of shares of common stock.

	Thousands	
	Issued number of shares	Number of treasury stock
Six months ended September 30, 2020:		
Beginning of period	259,034	28,290
Increase ¹	—	7,254
Decrease ²	—	62
End of period	259,034	35,483
Six months ended September 30, 2019:		
Beginning of period	259,034	13,760
Increase ³	—	5,803
Decrease ⁴	—	49
End of period	259,034	19,514

1 The increase of 7,254 thousand treasury stocks is associated with the repurchase from the market.

2 The decrease of 62 thousand treasury stocks is associated with the disposal as a restricted stock compensation.

3 The increase of 5,803 thousand treasury stocks is associated with the repurchase from the market.

4 The decrease of 49 thousand treasury stocks is associated with the disposal as a restricted stock compensation.

23. STOCK ACQUISITION RIGHTS**CONSOLIDATED**

The Bank and a subsidiary issue stock acquisition rights as a stock option plan to directors, executive officers and employees of the Bank and its subsidiaries.

Some stock acquisition rights provide eligible individuals (the "holders") with the right to purchase stock of the issuers, without any cash consideration, others with offsetting the remuneration claims against the issuers. The amount of money to be paid upon exercising stock acquisition rights is the amount calculated by multiplying the payment amount per share (the "exercise price") by the number of shares that can be purchased through the exercise of one stock acquisition right. Conditions are stipulated in the "Agreement on the Grant of Stock Acquisition Rights" entered between the issuers and the holders to whom stock acquisition rights were allotted based on the resolution of the annual general meeting of shareholders and the meeting of the Board of Directors which resolves the issuance of stock acquisition rights subsequent to the shareholders' meeting.

Also, the Bank has a remuneration plan, a restricted stock compensation plan, for the purpose of granting a long-term incentive to eligible directors and executive officers, etc. (the "recipients") and promoting shared value with shareholders.

Recipients will make in-kind contributions of monetary compensation claims to be provided by the Bank in accordance with the restricted stock compensation plan, and, in return, receive shares of common stock of the Bank that will be issued or disposed of by the Bank. On issuing or disposing of common stock of the Bank based on the restricted stock compensation plan, the Bank shall enter into a restricted stock allotment agreement with recipients.

The following tables show the details of stock acquisition rights and restricted stocks granted during the six months ended September 30, 2020.

(a) Stock-based compensation expenses for the six months ended September 30, 2020 and 2019 were as follows.

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2020	Sept. 30, 2019	Sept. 30, 2020
General and administrative expenses	¥ 117	¥ 106	\$ 1,115

(b) Details of stock options

The following table shows the details of stock options granted during the six months ended September 30, 2020.

Issuers	Date of issuance	Total number of stock options (shares) at the issuance	Total number of holders at the issuance	Required service period	Exercise period	Exercise price	Fair value at the grant date
The Bank	May 29, 2020	Common stocks 19,290 shares	2	Not applicable	May 30, 2020- May 29, 2050	¥ 1	¥ 1,310

(c) Details of restricted stock compensation

The following table shows the details of restricted stocks granted during the six months ended September 30, 2020.

	Number of shares granted	Total number of recipients	Transfer restriction period	Fair value at the grant date
Granted on May 8, 2020	37,392	34	May 8, 2020 - May 7, 2023	¥ 1,524
Granted on July 16, 2020	24,629	7	July 16, 2020 - July 15, 2023	¥ 1,421

These restricted stocks have the following cancellation conditions;

On the condition that the recipient has maintained his/her position of executive director, etc. of the Bank or its subsidiary continuously during the transfer restriction period, the transfer restriction shall be cancelled at the expiration of the transfer restriction period. If the recipient loses the position of executive director, etc. of the Bank or its subsidiary prior to the expiration of the transfer restriction period, the transfer restrictions will be immediately removed. The number of shares subject to removal of transfer restrictions are obtained by multiplying the number of allotted stocks held by the recipient at the time of his/her resignation or retirement by the value obtained as a result of dividing the period of service of the recipient or during the transfer restriction period (on a monthly basis) by 12. The Bank shall automatically acquire, without consideration, the allotted stocks for which transfer restrictions have not been removed at the time of expiration of the transfer restriction period or at the time of removal of the transfer restrictions.

24. NET TRADING INCOME (LOSS)**CONSOLIDATED**

Net trading income (loss) for the six months ended September 30, 2020 and 2019 consisted of the following:

Six months ended September 30,	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Income (loss) from trading securities	¥ 887	¥ 1,466	\$ 8,408
Income (loss) from securities held to hedge trading transactions	5	421	53
Income (loss) from trading-related financial derivatives	1,490	2,781	14,117
Other, net	—	366	—
Total	¥ 2,383	¥ 5,036	\$22,578

25. OTHER BUSINESS INCOME (LOSS), NET**CONSOLIDATED**

“Other, net” in other business income (loss), net, for the six months ended September 30, 2020 and 2019 consisted of the following:

Six months ended September 30,	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Income (loss) from derivatives entered into for banking purposes, net	¥ 45	¥ (4)	\$ 435
Equity in net income (loss) of affiliates	1,704	1,428	16,141
Gain on lease cancellation and other lease income (loss), net	990	978	9,383
Other, net	938	872	8,884
Total	¥ 3,678	¥ 3,275	\$ 34,844

26. NET CREDIT COSTS (RECOVERIES)**CONSOLIDATED**

Net credit costs (recoveries) for the six months ended September 30, 2020 and 2019 consisted of the following:

Six months ended September 30,	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Losses on write-off or sales of loans	¥ 1,616	¥ 290	\$ 15,311
Net provision (reversal) of reserve for loan losses:			
Net provision (reversal) of general reserve for loan losses	10,790	9,307	102,204
Net provision (reversal) of specific reserve for loan losses	8,310	10,143	78,715
Subtotal	19,101	19,451	180,919
Other credit costs (recoveries) relating to leasing business	74	27	705
Recoveries of written-off claims	(3,332)	(3,239)	(31,559)
Total	¥ 17,460	¥ 16,530	\$165,376

27. OTHER GAINS (LOSSES), NET**CONSOLIDATED**

Other gains (losses), net for the six months ended September 30, 2020 and 2019 consisted of the following:

Six months ended September 30,	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Reversal of reserve for losses on interest repayment	¥ 968	¥ 1,249	\$ 9,176
Impairment losses on long-lived assets	(229)	(216)	(2,170)
Loss on change in equity of affiliates	—	(270)	—
Other, net	338	707	3,210
Total	¥ 1,078	¥ 1,468	\$ 10,216

- Impairment losses on long-lived assets

For the six months ended September 30, 2020 and 2019, respectively, “Impairment losses on long-lived assets” of ¥229 million (U.S.\$2,170 thousand) and ¥216 million were recognized mainly on the properties of the Bank’s branches and ATMs for the Individual Business which were decided to be closed and on the unused IT-related properties.

28. EARNINGS PER SHARE**CONSOLIDATED**

A reconciliation of the difference between basic and diluted EARNINGS PER SHARE (“EPS”) for the six months ended September 30, 2020 and 2019 was as follows:

	Earnings (Millions of yen)	Weighted average shares (Thousands)	EPS (Yen)	EPS (U.S. dollars)
For the six months ended September 30, 2020:				
Basic EPS				
Profit (loss) attributable to owners of the parent available to common shareholders	¥ 13,316	228,192	¥ 58.35	\$ 0.55
Effect of dilutive securities				
Stock acquisition rights	—	60		
Diluted EPS				
Profit (loss) attributable to owners of the parent for computation	¥ 13,316	228,252	¥ 58.34	\$ 0.55
For the six months ended September 30, 2019:				
Basic EPS				
Profit (loss) attributable to owners of the parent available to common shareholders	¥ 28,148	243,061	¥ 115.80	
Effect of dilutive securities				
Stock acquisition rights	—	41		
Diluted EPS				
Profit (loss) attributable to owners of the parent for computation	¥ 28,148	243,102	¥ 115.79	

29. LEASE TRANSACTIONS

CONSOLIDATED

(A) FINANCE LEASE TRANSACTIONS

AS LESSEE

- (a) For finance lease transactions, where the ownership of the property is deemed to transfer to the lessee, lease assets are software included in "Intangible assets."
 (b) For finance lease transactions, where the ownership of the property is not deemed to transfer to the lessee, lease assets are primarily buildings, tools, equipment and fixtures included in "Premises and equipment."
 (c) Depreciation method is described in "(W) LEASE TRANSACTIONS" in Note 2 "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES."

AS LESSOR

- (a) Breakdown of "Lease receivables and leased investment assets" as of September 30, 2020 and March 31, 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2020	Mar. 31, 2020	Sept. 30, 2020
Lease receivables	¥ 56,758	¥ 53,489	\$ 537,589
Leased investment assets:			
Lease payment receivables	154,677	151,804	1,465,026
Estimated residual value	6,216	5,709	58,880
Interest equivalent	(19,975)	(18,220)	(189,196)
Other	630	662	5,967
Subtotal	141,548	139,955	1,340,678
Total	¥ 198,307	¥ 193,445	\$ 1,878,267

- (b) Lease payment receivables for "Lease receivables and leased investment assets" as of September 30, 2020 were as follows:

	Lease receivables		Leased investment assets	
	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
Due within one year	¥ 17,669	\$ 167,354	¥ 45,555	\$ 431,480
Due after one year within two years	13,155	124,606	35,805	339,135
Due after two years within three years	9,727	92,137	26,186	248,026
Due after three years within four years	6,586	62,385	17,818	168,772
Due after four years within five years	4,867	46,107	10,516	99,609
Due after five years	6,914	65,489	18,793	178,004
Total	¥ 58,921	\$ 558,078	¥ 154,677	\$ 1,465,026

(B) OPERATING LEASE TRANSACTIONS

Noncancelable operating lease obligations as lessee and lease payment receivables as lessor as of September 30, 2020 and March 31, 2020 were as follows:

AS LESSEE

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2020	Mar. 31, 2020	Sept. 30, 2020
Lease obligations:			
Due within one year	¥ 4,147	¥ 4,402	\$ 39,286
Due after one year	10,954	12,119	103,757
Total	¥ 15,102	¥ 16,522	\$ 143,043

AS LESSOR

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2020	Mar. 31, 2020	Sept. 30, 2020
Lease payment receivables:			
Due within one year	¥ 8,228	¥ 8,744	\$ 77,939
Due after one year	23,562	24,097	223,170
Total	¥ 31,791	¥ 32,841	\$ 301,109

30. SEGMENT INFORMATION

CONSOLIDATED

(A) SEGMENT INFORMATION**(a) DESCRIPTION OF REPORTABLE SEGMENTS**

Our reportable segments consist of businesses whose individual financial information is available and regular evaluation by the Executive Committee is made in order to decide how much resources are allocated.

The Group provides a wide variety of financial products and services to customers through our Institutional Business and Individual Business. These Businesses consist of operating segments which provide their respective financial products and services. The Institutional Business consists of the "Corporate Business," "Structured Finance," "Principal Transactions," "Showa Leasing," "Markets," and "Other Global Markets" as reportable segments. The Individual Business consists of "Retail Banking," "Shinsei Financial," and "APLUS FINANCIAL." Also, the business and operations which do not belong to any of the Institutional Business and the Individual Business are classified as the "Corporate/Other." The "Treasury" in the "Corporate/Other" is a reportable segment.

In the Institutional Business, the "Corporate Business" segment provides financial products and services, advisory services, and trust business for corporate, public, and financial sectors. The "Structured Finance" segment provides real estate finance such as nonrecourse loans, financial products and services for real estate and construction industries, and financial products and services related to project finance and specialty finance, such as M&A finance. The "Principal Transactions" segment provides private equity businesses and business succession services, and financial products and services related to credit trading. "Showa Leasing" segment primarily provides financial products and services related to leasing. The "Markets" segment engages in foreign exchanges, derivatives, equity-related transactions and other capital markets transactions. The "Other Global Markets" segment consists of securities business provided by Shinsei Securities Co., Ltd., asset management and wealth management businesses.

In the Individual Business, the "Retail Banking" segment provides financial products and services for retail customers, "Shinsei Financial" segment provides unsecured card loan business and credit guarantee business (Shinsei Financial, Shinsei Bank Card Loan L (former Shinsei Bank Card Loan Lake), Lake ALSA). "APLUS FINANCIAL" segment provides installment sales credit, credit cards, loans and payment services. The "Other Individual" segment in the Individual Business consists of profit and loss attributable to other subsidiaries.

In the Corporate/Other, the "Treasury" segment engages in ALM operations and fund raising including capital instruments.

(b) METHODS OF MEASUREMENT FOR THE AMOUNTS OF REVENUE, PROFIT (LOSS), ASSETS, LIABILITIES AND OTHER ITEMS BY REPORTABLE SEGMENTS

The accounting policies of each reportable segment are consistent to those disclosed in Note 2, "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES," except for interest on inter-segment transactions and indirect expense.

Interest on inter-segment transactions is calculated using an inter-office rate. Indirect expense is allocated, based on the predetermined internal rule, to each reportable segment according to the budget which is set at the beginning of the fiscal year.

30. SEGMENT INFORMATION (CONTINUED)

CONSOLIDATED

(c) REVENUE, PROFIT (LOSS), ASSETS, LIABILITIES AND OTHER ITEMS BY REPORTABLE SEGMENTS

Six months ended September 30, 2020	Millions of yen						
	Institutional Business						Other Global Markets
	Corporate Business	Structured Finance	Principal Transactions	Showa Leasing	Markets		
Revenue ¹ :	¥ 7,314	¥ 9,723	¥ 4,014	¥ 7,252	¥ 2,197	¥ 914	
Net Interest Income	5,705	6,237	1,317	79	555	207	
Noninterest Income ⁱ	1,608	3,486	2,697	7,172	1,641	706	
Expenses ²	5,891	4,547	2,008	5,534	1,600	1,418	
Net Credit Costs (Recoveries) ³	942	5,064	275	302	–	28	
Segment Profit (Loss) ⁷	¥ 480	¥ 111	¥ 1,730	¥ 1,414	¥ 596	¥ (532)	
Segment Assets ^{4, ii}	¥ 1,626,652	¥ 1,911,875	¥ 192,459	¥ 577,659	¥ 307,032	¥ 39,983	
Segment Liabilities ⁵	¥ 1,410,610	¥ 137,126	¥ 6,849	¥ 1,885	¥ 170,523	¥ 34,486	
Includes:							
i . Equity in net income (loss) of affiliates	¥ –	¥ –	¥ 1,594	¥ (234)	¥ –	¥ –	
ii . Investment in affiliates	–	–	68,934	1,031	–	–	
Other:							
Goodwill (Negative Goodwill):							
Amortization	¥ –	¥ –	¥ (0)	¥ 1,091	¥ –	¥ –	
Unamortized balance	–	–	(1)	9,740	–	–	
Intangible assets acquired in business combinations:							
Amortization	¥ –	¥ –	¥ –	¥ 86	¥ –	¥ –	
Unamortized balance	–	–	–	399	–	–	
Impairment losses on long-lived assets	¥ 0	¥ –	¥ –	¥ –	¥ 0	¥ –	

Six months ended September 30, 2020	Millions of yen						
	Retail Banking	Individual Business			Corporate/Other		Total
		Shinsei Financial	APLUS FINANCIAL	Other Individual	Treasury	Other ⁶	
Revenue ¹ :	¥ 13,620	¥ 33,884	¥ 29,022	¥ 1,258	¥ 1,016	¥ 70	¥ 110,288
Net Interest Income	12,314	33,800	4,354	547	(3,239)	0	61,881
Noninterest Income ⁱ	1,305	83	24,667	711	4,255	70	48,407
Expenses ²	14,217	16,168	18,924	1,231	787	408	72,739
Net Credit Costs (Recoveries) ³	264	4,666	6,286	(367)	–	(1)	17,460
Segment Profit (Loss) ⁷	¥ (861)	¥ 13,049	¥ 3,811	¥ 395	¥ 228	¥ (336)	¥ 20,088
Segment Assets ^{4, ii}	¥ 1,153,668	¥ 493,746	¥ 1,268,944	¥ 53,795	¥ 430,899	¥ 230,672	¥ 8,287,390
Segment Liabilities ⁵	¥ 4,816,988	¥ 42,684	¥ 487,012	¥ 2,851	¥ –	¥ 62	¥ 7,111,083
Includes:							
i . Equity in net income (loss) of affiliates	¥ –	¥ –	¥ (12)	¥ 357	¥ –	¥ –	¥ 1,704
ii . Investment in affiliates	–	–	572	7,420	–	–	77,958
Other:							
Goodwill (Negative Goodwill):							
Amortization	¥ 47	¥ (70)	¥ 29	¥ 10	¥ –	¥ –	¥ 1,109
Unamortized balance	836	(1,814)	537	222	–	7,161	16,681
Intangible assets acquired in business combinations:							
Amortization	¥ –	¥ –	¥ 86	¥ –	¥ –	¥ –	¥ 173
Unamortized balance	–	–	1,923	–	–	–	2,322
Impairment losses on long-lived assets	¥ 141	¥ 13	¥ –	¥ –	¥ –	¥ 74	¥ 229

30. SEGMENT INFORMATION (CONTINUED)

CONSOLIDATED

Six months ended September 30, 2019	Millions of yen					
	Institutional Business					
	Corporate Business	Structured Finance	Principal Transactions	Showa Leasing	Markets	Other Global Markets
Revenue ¹ :	¥ 10,833	¥ 8,859	¥ 4,714	¥ 6,941	¥ 4,070	¥ 1,854
Net Interest Income	5,075	5,735	1,374	(135)	1,541	293
Noninterest Income ⁱ	5,757	3,124	3,340	7,076	2,529	1,561
Expenses ²	6,363	4,193	2,064	5,132	1,699	1,573
Net Credit Costs (Recoveries) ³	1,129	1,373	48	(70)	(20)	(6)
Segment Profit (Loss) ⁷	¥ 3,340	¥ 3,292	¥ 2,601	¥ 1,879	¥ 2,391	¥ 287
Segment Assets ^{4,ii}	¥ 1,597,026	¥ 1,774,505	¥ 183,480	¥ 581,225	¥ 369,837	¥ 44,368
Segment Liabilities ⁵	¥ 1,194,897	¥ 121,479	¥ 7,856	¥ 2,775	¥ 197,218	¥ 61,611
Includes:						
i . Equity in net income (loss) of affiliates	¥ –	¥ –	¥ 1,495	¥ 168	¥ –	¥ –
ii . Investment in affiliates	–	–	66,612	1,290	–	–
Other:						
Goodwill (Negative Goodwill):						
Amortization	¥ –	¥ –	¥ (0)	¥ 1,091	¥ –	¥ –
Unamortized balance	–	–	(1)	11,924	–	–
Intangible assets acquired in business combinations:						
Amortization	¥ –	¥ –	¥ –	¥ 102	¥ –	¥ –
Unamortized balance	–	–	–	588	–	–
Impairment losses on long-lived assets	¥ 3	¥ –	¥ –	¥ –	¥ 0	¥ –

Six months ended September 30, 2019	Millions of yen						
	Retail Banking	Individual Business			Corporate/Other		Total
		Shinsei Financial	APLUS FINANCIAL	Other Individual	Treasury	Other ⁶	
Revenue ¹ :	¥ 14,284	¥ 34,071	¥ 28,834	¥ 629	¥ 6,161	¥ 248	¥ 121,504
Net Interest Income	12,000	34,601	4,922	484	894	0	66,789
Noninterest Income ⁱ	2,283	(529)	23,911	145	5,266	248	54,715
Expenses ²	13,744	16,813	19,168	940	799	1,358	73,851
Net Credit Costs (Recoveries) ³	4	6,933	7,158	(20)	–	1	16,530
Segment Profit (Loss) ⁷	¥ 535	¥ 10,324	¥ 2,507	¥ (289)	¥ 5,362	¥ (1,110)	¥ 31,121
Segment Assets ^{4,ii}	¥ 1,171,830	¥ 521,585	¥ 1,173,150	¥ 54,587	¥ 605,658	¥ 0	¥ 8,077,256
Segment Liabilities ⁵	¥ 4,563,762	¥ 46,530	¥ 432,675	¥ 117	¥ –	¥ –	¥ 6,628,923
Includes:							
i . Equity in net income (loss) of affiliates	¥ –	¥ –	¥ –	¥ (235)	¥ –	¥ –	¥ 1,428
ii . Investment in affiliates	–	–	–	6,539	–	–	74,442
Other:							
Goodwill (Negative Goodwill):							
Amortization	¥ 23	¥ (70)	¥ –	¥ –	¥ –	¥ –	¥ 1,045
Unamortized balance	932	(1,954)	522	–	–	–	11,422
Intangible assets acquired in business combinations:							
Amortization	¥ –	¥ –	¥ –	¥ –	¥ –	¥ –	¥ 102
Unamortized balance	–	–	2,084	–	–	–	2,672
Impairment losses on long-lived assets	¥ 5	¥ 24	¥ 15	¥ –	¥ –	¥ 168	¥ 216

30. SEGMENT INFORMATION (CONTINUED)

CONSOLIDATED

Six months ended September 30, 2020	Thousands of U.S. dollars					
	Institutional Business					
	Corporate Business	Structured Finance	Principal Transactions	Showa Leasing	Markets	Other Global Markets
Revenue ¹ :	\$ 69,280	\$ 92,100	\$ 38,027	\$ 68,689	\$ 20,813	\$ 8,658
Net Interest Income	54,043	59,075	12,476	756	5,264	1,968
Noninterest Income ¹	15,237	33,025	25,550	67,932	15,548	6,689
Expenses ²	55,803	43,075	19,025	52,422	15,162	13,433
Net Credit Costs (Recoveries) ³	8,925	47,967	2,610	2,869	—	267
Segment Profit (Loss) ⁷	\$ 4,551	\$ 1,059	\$ 16,392	\$ 13,398	\$ 5,651	\$ (5,042)
Segment Assets ^{4, ii}	\$ 15,406,822	\$ 18,108,315	\$ 1,822,880	\$ 5,471,296	\$ 2,908,054	\$ 378,703
Segment Liabilities ⁵	\$ 13,360,586	\$ 1,298,795	\$ 64,871	\$ 17,860	\$ 1,615,113	\$ 326,643
Includes:						
i. Equity in net income (loss) of affiliates	\$ —	\$ —	\$ 15,099	\$ (2,225)	\$ —	\$ —
ii. Investment in affiliates	—	—	652,908	9,772	—	—
Other:						
Goodwill (Negative Goodwill):						
Amortization	\$ —	\$ —	\$ (3)	\$ 10,343	\$ —	\$ —
Unamortized balance	—	—	(13)	92,255	—	—
Intangible assets acquired in business combinations:						
Amortization	\$ —	\$ —	\$ —	\$ 823	\$ —	\$ —
Unamortized balance	—	—	—	3,781	—	—
Impairment losses on long-lived assets	\$ 0	\$ —	\$ —	\$ —	\$ 0	\$ —

Six months ended September 30, 2020	Thousands of U.S. dollars						
	Individual Business				Corporate/Other		
	Retail Banking	Consumer Finance			Treasury	Other ⁶	Total
	Shinsei Financial	APLUS FINANCIAL	Other Individual				
Revenue ¹ :	\$ 129,003	\$ 320,932	\$ 274,883	\$ 11,919	\$ 9,626	\$ 671	\$ 1,044,599
Net Interest Income	116,637	320,141	41,248	5,182	(30,679)	2	586,113
Noninterest Income ¹	12,366	792	233,635	6,737	40,306	668	458,487
Expenses ²	134,662	153,139	179,242	11,660	7,463	3,867	688,953
Net Credit Costs (Recoveries) ³	2,501	44,197	59,539	(3,485)	—	(13)	165,376
Segment Profit (Loss) ⁷	\$ (8,160)	\$ 123,597	\$ 36,101	\$ 3,744	\$ 2,163	\$ (3,183)	\$ 190,271
Segment Assets ^{4, ii}	\$ 10,926,958	\$ 4,676,519	\$ 12,018,797	\$ 509,519	\$ 4,081,265	\$ 2,184,813	\$ 78,493,940
Segment Liabilities ⁵	\$ 45,624,064	\$ 404,286	\$ 4,612,738	\$ 27,010	\$ —	\$ 594	\$ 67,352,560
Includes:							
i. Equity in net income (loss) of affiliates	\$ —	\$ —	\$ (123)	\$ 3,390	\$ —	\$ —	\$ 16,141
ii. Investment in affiliates	—	—	5,423	70,279	—	—	738,382
Other:							
Goodwill (Negative Goodwill):							
Amortization	\$ 453	\$ (664)	\$ 283	\$ 100	\$ —	\$ —	\$ 10,512
Unamortized balance	7,922	(17,186)	5,087	2,103	—	67,826	157,994
Intangible assets acquired in business combinations:							
Amortization	\$ —	\$ —	\$ 822	\$ —	\$ —	\$ —	\$ 1,644
Unamortized balance	—	—	18,218	—	—	—	21,999
Impairment losses on long-lived assets	\$ 1,339	\$ 127	\$ —	\$ —	\$ —	\$ 705	\$ 2,170

Notes: 1 "Revenue," which represents gross operating profit under our management reporting, is presented as a substitute for sales in other industries. "Revenue" is defined as the total of net interest income, net fees and commissions, net trading income and net other business income on the management reporting basis. "Revenue" represents income and related cost attributable to our core business.

2 "Expenses" are general and administrative expenses deducting amortization of goodwill and intangible assets, amortization of actuarial gains or losses of retirement benefit cost and lump-sum payments.

3 "Net Credit Costs (Recoveries)" consists of provision/reversal of reserve for credit losses, losses on write-off/sales of loans and recoveries of written-off claims.

4 "Segment Assets" consists of other monetary claims purchased, trading assets, monetary assets held in trust, securities, loans and bills discounted, lease receivables and leased investment assets, installment receivables, tangible leased assets, intangible leased assets and customer's liabilities for acceptances and guarantees.

5 "Segment Liabilities" consists of deposits, including negotiable certificates of deposit, debentures, trading liabilities and acceptances and guarantees.

6 "Other" under the Corporate/Other includes company-wide accounts which are not included in our reportable segments, allocation variance of indirect expense and elimination amount of inter-segment transactions. "Other" under the Corporate/Other includes segment assets and liabilities associated with UDC Finance Limited of which whole shares were acquired by the Bank as of September 1, 2020.

7 Regarding assets and liabilities not allocated to each business segment, there are related revenue and expense items which are allocated to each business segment based on a rational allocation method. For example, interest on other borrowings is considered a part of "Revenue" and included in "Segment profit (loss)," although borrowed money is not allocated to each "Segment liabilities." In addition, depreciation is considered a part of "Expenses" and included in "Segment profit (loss)," although premises and equipment excluding tangible leased assets and intangible assets excluding intangible leased assets are not allocated to each "Segment assets."

30. SEGMENT INFORMATION (CONTINUED)

CONSOLIDATED

(d) RECONCILIATION BETWEEN THE SEGMENT INFORMATION AND THE CONSOLIDATED FINANCIAL STATEMENTS

(i) A reconciliation between total segment profit and income (loss) before income taxes on the consolidated statements of income for the six months ended September 30, 2020 and 2019 was as follows:

Six months ended September 30,	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Total segment profit	¥ 20,088	¥ 31,121	\$ 190,271
Amortization of goodwill	(1,109)	(1,045)	(10,512)
Amortization of intangible assets	(173)	(102)	(1,644)
Lump-sum payments	(148)	(203)	(1,409)
Other gains (losses), net	1,078	1,468	10,216
Income (loss) before income taxes	¥ 19,735	¥ 31,239	\$ 186,921

(ii) A reconciliation between total segment assets and total assets on the consolidated balance sheets as of September 30, 2020 and 2019 was as follows:

As of September 30,	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Total segment assets	¥ 8,287,390	¥ 8,077,256	\$ 78,493,940
Cash and due from banks	1,659,232	1,309,158	15,715,406
Receivables under securities borrowing transactions	—	1,642	—
Foreign exchanges	64,578	55,691	611,653
Other assets excluding installment receivables	309,509	383,636	2,931,521
Premises and equipment excluding tangible leased assets	21,584	20,622	204,436
Intangible assets excluding intangible leased assets	70,919	67,452	671,716
Assets for retirement benefits	5,952	11,239	56,378
Deferred tax assets	14,479	12,650	137,141
Reserve for credit losses	(109,694)	(98,552)	(1,038,968)
Total assets	¥ 10,323,952	¥ 9,840,799	\$ 97,783,222

(iii) A reconciliation between total segment liabilities and total liabilities on the consolidated balance sheets as of September 30, 2020 and 2019 was as follows:

As of September 30,	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Total segment liabilities	¥ 7,111,083	¥ 6,628,923	\$ 67,352,560
Call money	95,000	345,000	899,792
Payables under repurchase agreements	11,069	39,216	104,847
Payables under securities lending transactions	311,171	454,953	2,947,254
Borrowed money	880,491	679,557	8,339,567
Foreign exchanges	1,208	780	11,450
Short-term corporate bonds	227,200	239,600	2,151,923
Corporate bonds	353,368	72,235	3,346,926
Other liabilities	359,438	395,892	3,404,416
Accrued employees' bonuses	4,928	4,913	46,676
Accrued directors' bonuses	23	31	220
Liabilities for retirement benefits	8,459	8,357	80,124
Reserve for directors' retirement benefits	17	46	165
Reserve for reimbursement of deposits	577	—	5,470
Reserve for reimbursement of debentures	3,406	3,563	32,267
Reserve for losses on interest repayments	43,365	56,255	410,734
Deferred tax liabilities	115	287	1,091
Total liabilities	¥ 9,410,924	¥ 8,929,583	\$ 89,135,483

30. SEGMENT INFORMATION (CONTINUED)

CONSOLIDATED

(B) RELATED INFORMATION**(a) INFORMATION BY SERVICES**

Income regarding major services for the six months ended September 30, 2020 and 2019 was as follows:

Six months ended September 30,	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Loan Businesses	¥ 67,914	¥ 73,426	\$ 643,251
Lease Businesses	3,868	3,771	36,640
Securities Investment Businesses	15,581	13,243	147,583
Installment Sales and Guarantee Businesses	26,112	24,978	247,321

(b) GEOGRAPHICAL INFORMATION*(i) REVENUE*

Revenue from external domestic customers exceeded 90% of total revenue on the consolidated statements of income for the six months ended September 30, 2020 and 2019, therefore geographical revenue information is not presented.

(ii) PREMISES AND EQUIPMENT

The balance of domestic premises and equipment exceeded 90% of total balance of premises and equipment on the consolidated balance sheets as of September 30, 2020 and 2019, therefore geographical premises and equipment information is not presented.

(c) MAJOR CUSTOMER INFORMATION

Revenue to a specific customer did not reach 10% of total revenue on the consolidated statements of income for the six months ended September 30, 2020 and 2019, therefore major customer information is not presented.

31. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

CONSOLIDATED

Fair values of financial instruments as of September 30, 2020 and March 31, 2020 were as follows:

	Sept. 30, 2020			Mar. 31, 2020		
	Carrying amount	Fair value	Unrealized gain (loss)	Carrying amount	Fair value	Unrealized gain (loss)
Assets:						
(1) Cash and due from banks	¥ 1,659,232	¥ 1,659,232	¥ -	¥ 1,614,134	¥ 1,614,134	¥ -
(2) Other monetary claims purchased						
Trading purposes	1,958	1,958	-	1,931	1,931	-
Other ¹	53,006	53,234	228	61,519	61,760	240
(3) Trading assets						
Securities held for trading purposes	5,129	5,129	-	5,533	5,533	-
(4) Monetary assets held in trust ¹	391,225	395,268	4,043	413,160	417,817	4,657
(5) Securities						
Trading securities	0	0	-	0	0	-
Securities being held to maturity	216,227	217,330	1,103	277,173	278,770	1,596
Securities available for sale	516,543	516,543	-	564,117	564,117	-
Equity securities of affiliates	61,127	52,744	(8,383)	57,841	40,534	(17,307)
(6) Loans and bills discounted ²	5,204,118			5,110,404		
Reserve for credit losses	(68,772)			(71,925)		
Net	5,135,346	5,306,414	171,068	5,038,478	5,231,042	192,564
(7) Lease receivables and leased investment assets	198,307			193,445		
Estimated Residual Value ³	(6,605)			(6,128)		
Reserve for credit losses	(1,455)			(1,384)		
Net	190,246	198,695	8,449	185,932	193,897	7,965
(8) Other assets						
Installment receivables	792,829			670,716		
Deferred gains on installment receivables	(12,273)			(11,443)		
Reserve for credit losses	(11,138)			(10,763)		
Net	769,417	830,477	61,059	648,510	709,012	60,502
Total	¥ 8,999,461	¥ 9,237,029	¥ 237,568	¥ 8,868,332	¥ 9,118,551	¥ 250,218
Liabilities:						
(1) Deposits, including negotiable certificates of deposit	¥ 6,393,961	¥ 6,392,345	¥ 1,616	¥ 6,305,161	¥ 6,303,844	¥ 1,316
(2) Call money	95,000	95,000	-	165,000	165,000	-
(3) Payables under repurchase agreements	11,069	11,069	-	38,956	38,956	-
(4) Payables under securities lending transactions	311,171	311,171	-	350,407	350,407	-
(5) Borrowed money	880,491	880,515	(23)	881,991	882,211	(220)
(6) Short-term corporate bonds	227,200	227,200	-	221,300	221,300	-
(7) Corporate bonds	353,368	353,068	300	166,500	165,928	571
Total	¥ 8,272,262	¥ 8,270,369	¥ 1,892	¥ 8,129,316	¥ 8,127,649	¥ 1,667
Derivative instruments ⁴ :						
Hedge accounting is not applied	¥ 19,319	¥ 19,319	¥ -	¥ 11,859	¥ 11,859	¥ -
Hedge accounting is applied	3,190	3,190	-	(1,165)	(1,165)	-
Total	¥ 22,509	¥ 22,509	¥ -	¥ 10,693	¥ 10,693	¥ -
Other:						
Guarantee contracts ⁵	¥ 544,275	¥ 15,506		¥ 526,520	¥ 12,759	

31. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

CONSOLIDATED

	Thousands of U.S. dollars		
	Sept. 30, 2020		
	Carrying amount	Fair value	Unrealized gain (loss)
Assets:			
(1) Cash and due from banks	\$ 15,715,406	\$ 15,715,406	\$ –
(2) Other monetary claims purchased			
Trading purposes	18,549	18,549	–
Other ¹	502,055	504,215	2,160
(3) Trading assets			
Securities held for trading purposes	48,579	48,579	–
(4) Monetary assets held in trust ¹	3,705,485	3,743,781	38,297
(5) Securities			
Trading securities	0	0	–
Securities being held to maturity	2,047,996	2,058,444	10,447
Securities available for sale	4,892,436	4,892,436	–
Equity securities of affiliates	578,972	499,570	(79,402)
(6) Loans and bills discounted ²	49,290,762		
Reserve for credit losses	(651,374)		
Net	48,639,388	50,259,657	1,620,269
(7) Lease receivables and leased investment assets	1,878,267		
Estimated Residual Value ³	(62,566)		
Reserve for credit losses	(13,784)		
Net	1,801,917	1,881,947	80,030
(8) Other assets			
Installment receivables	7,509,279		
Deferred gains on installment receivables	(116,251)		
Reserve for credit losses	(105,497)		
Net	7,287,532	7,865,857	578,325
Total	\$ 85,238,315	\$ 87,488,441	\$ 2,250,126
Liabilities:			
(1) Deposits, including negotiable certificates of deposit	\$ 60,560,352	\$ 60,545,045	\$ 15,307
(2) Call money	899,792	899,792	–
(3) Payables under repurchase agreements	104,847	104,847	–
(4) Payables under securities lending transactions	2,947,254	2,947,254	–
(5) Borrowed money	8,339,567	8,339,790	(223)
(6) Short-term corporate bonds	2,151,923	2,151,923	–
(7) Corporate bonds	3,346,926	3,344,082	2,845
Total	\$ 78,350,661	\$ 78,332,732	\$ 17,928
Derivative instruments ⁴ :			
Hedge accounting is not applied	\$ 182,982	\$ 182,982	\$ –
Hedge accounting is applied	30,221	30,221	–
Total	\$ 213,203	\$ 213,203	\$ –
	Contract amount	Fair value	
Other:			
Guarantee contracts ⁵	\$ 5,155,098	\$ 146,873	

¹ Carrying amounts of Other monetary claims purchased and Monetary assets held in trust are presented as the amount net of reserve for credit losses because they are immaterial.

² For consumer loans held by consolidated subsidiaries included in Loans and bills discounted, reserve for losses on interest repayments of ¥43,365 million (U.S.\$410,734 thousand) and ¥49,308 million was recognized for estimated losses on reimbursements of excess interest payments as of September 30, 2020 and March 31, 2020, respectively, which included the reserve for losses on interest repayments that has a possibility of being appropriated for loan principal in the future.

³ Estimated residual value of leased investment assets arising from finance lease transactions, where the ownership of the property is not deemed to transfer to the lessee, is deducted from leased investment assets.

⁴ Derivative instruments include derivative transactions both in trading assets and liabilities, and in other assets and liabilities. Derivative instruments are presented as net of assets and liabilities and presented with () when a liability stands on a net basis.

⁵ Contract amount for guarantee contracts presents the amount of "Acceptances and guarantees" on the consolidated balance sheets.

31. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

CONSOLIDATED

(Note 1) Valuation methodologies for financial instruments

Assets:

(1) Cash and due from banks

The fair values are measured at carrying amounts because the fair values of due from banks with no maturity are approximate to the carrying amounts. Likewise, for due from banks with a maturity, the fair values are measured at carrying amounts because most of them are with short maturities of six months or less, therefore the fair values are approximate to the carrying amounts.

(2) Other monetary claims purchased

The fair values are measured at quoted prices from third parties or determined using the DCF method.

(3) Trading assets

The fair values are measured at market prices or quoted prices from third parties, or determined using the DCF method.

(4) Monetary assets held in trust

The fair values are primarily determined using the DCF method based on the characteristics of the components of the entrusted assets.

(5) Securities

The fair values of marketable equity securities are measured at closing prices on exchanges. The fair values of bonds and mutual funds are measured at market prices or quoted prices from third parties or determined using the DCF method.

(6) Loans and bills discounted

The fair values of loans and bills discounted with a fixed interest rate are determined by discounting contractual cash flows, and the fair values of loans and bills discounted with a floating interest rate are determined by discounting expected cash flows based on the forward rates (for loans and bills discounted hedged by interest rate swaps which meet specific matching criteria, summing up the cash flows from the interest rate swaps), using the risk-free rate adjusted to account for credit risk (after consideration of collateral) with CDS spread etc. corresponding to the internal credit rating of each borrower. The fair values of housing loans are determined by discounting expected cash flows at the rates that consist of the risk-free rate and spread that would be applied for the new housing loans with the same terms at the consolidated balance sheet date. The fair values of consumer loans are determined by discounting expected cash flows that reflect expected loss at the rates that consist of the risk-free rate and certain costs, by a group of similar product types and customer segments.

Regarding loans to obligors classified as “legally bankrupt,” “virtually bankrupt” or “possibly bankrupt,” fair values are measured at carrying amounts net of reserves for loan losses because the fair values of those loans are approximate to the carrying amounts net of reserves for

loan losses, which are calculated based on the DCF method described in “(N) RESERVE FOR CREDIT LOSSES” in Note 2 “SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES” or based on amounts which are expected to be collected through the disposal of collateral or execution of guarantees.

(7) Lease receivables and leased investment assets

The fair values are primarily determined by discounting contractual cash flows at the rates that would be applied for the new contracts by a group of major product categories.

(8) Installment receivables

The fair values are primarily determined by discounting expected cash flows that reflect the probability of prepayment at the rates that consist of the risk-free rate, credit risk and certain costs, by major product category groups.

Liabilities:

(1) Deposits, including negotiable certificates of deposit

The fair values of demand deposits, such as current deposits and ordinary deposits are recognized as the payment amount at the consolidated balance sheet date.

The fair values of the deposits with maturities of six months or less are approximate to carrying amounts because of their short term maturities. The fair values of time deposits and negotiable certificates of deposit are determined by discounting expected cash flows at the rates that consist of the risk-free rate and spread that would be applied for the new contracts with the same terms at the consolidated balance sheet date.

(2) Call money, (3) Payables under repurchase agreements and (4) Payables under securities lending transactions

The fair values are approximate to the carrying amounts for call money and bills sold, payables under repurchase agreements, and payables under securities lending transactions with short maturities of three months or less.

(5) Borrowed money

The fair values of borrowed money with fixed interest rates are primarily determined by discounting contractual cash flows (for borrowed money hedged by interest rate swaps which meet specific matching criteria, the contractual cash flows include the cash flows of the interest rate swaps), and the fair values of borrowed money with floating interest rates are determined by discounting expected cash flows on forward rates, at the funding rates that reflect the credit risk of the borrower.

(6) Short-term corporate bonds

The fair values are approximate to the carrying amounts because most of them are with short maturities of one year or less.

31. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

CONSOLIDATED

(7) Corporate bonds

The fair values of marketable corporate bonds are measured at market prices.

The fair values of nonmarketable corporate bonds with floating interest rates are determined by discounting expected cash flows on forward rates, at the funding rates.

The fair values of nonmarketable corporate bonds under the Medium Term Note program are determined by discounting expected cash flows at the actual average funding rates of corporate time deposits etc. funded within the past three months of the consolidated balance sheet date.

Derivative instruments:

The fair values are primarily measured at closing prices on exchanges or determined using the DCF method or option-pricing models.

Other:

Guarantee contracts

The fair values are determined by discounting the amount of difference between the original contractual cash flows and the expected cash flows that would be applied for the new contracts with the same terms at the risk-free rate.

(Note 2) Carrying amount of the financial instruments whose fair value cannot be reliably determined

	Millions of yen		Thousands of U.S. dollars
	Sept. 30, 2020	Mar. 31, 2020	Sept. 30, 2020
Equity securities without readily available market price ^{1,2}	¥ 23,767	¥ 19,745	\$ 225,110
Investment in partnerships and others ^{1,2}	35,560	38,161	336,810
Total	¥ 59,327	¥ 57,907	\$ 561,919

¹ Equity securities without readily available market prices are out of the scope of fair value disclosure because their fair values cannot be reliably determined. Investments in partnerships and others, the assets of which comprise equity securities without readily available market prices, are out of the scope of fair values disclosure because fair values of those investments cannot be reliably determined.

² For the six months ended September 30, 2020 and for the fiscal years ended March 31, 2020, impairment losses on equity securities without readily available market price of ¥203 million (U.S. \$1,923 thousand) and ¥1,837 million, and on investment in partnerships and others of ¥902 million (U.S.\$8,553 thousand) and ¥2,453 million were recognized, respectively.

32. DERIVATIVE FINANCIAL INSTRUMENTS

CONSOLIDATED

(A) DERIVATIVE TRANSACTIONS TO WHICH HEDGE ACCOUNTING WAS NOT APPLIED

The fair values of derivatives on the consolidated balance sheets as of September 30, 2020 and March 31, 2020 are adjusted for credit risk by a reduction of ¥1,690 million (U.S.\$16,010 thousand) and ¥1,843 million, respectively, and also adjusted for liquidity risk by a reduction of ¥1,688 million (U.S.\$15,994 thousand) and ¥1,918 million, respectively.

Regardless of this accounting treatment, the reduction of those risks is not reflected in the fair values shown in the following tables.

(a) INTEREST RATE-RELATED TRANSACTIONS

Interest rate-related transactions as of September 30, 2020 and March 31, 2020 were as follows:

	Millions of yen							
	Sept. 30, 2020				Mar. 31, 2020			
	Contract/Notional principal		Fair value	Unrealized gain (loss)	Contract/Notional principal		Fair value	Unrealized gain (loss)
Total	Maturity over 1 year	Total			Maturity over 1 year			
Futures contracts (listed):								
Sold	¥ 1,250	¥ -	¥ (0)	¥ (0)	¥ -	¥ -	¥ -	¥ -
Bought	24,882	-	59	59	48,240	1,250	75	75
Interest rate options (listed):								
Sold	-	-	-	-	-	-	-	-
Bought	-	-	-	-	-	-	-	-
Interest rate swaps (over-the-counter):								
Receive fixed and pay floating	4,280,411	3,752,526	168,622	168,622	4,406,002	3,965,040	180,075	180,075
Receive floating and pay fixed	4,115,213	3,481,181	(151,942)	(151,942)	4,155,776	3,674,089	(161,410)	(161,410)
Receive floating and pay floating	1,780,697	1,601,995	(422)	(422)	1,731,522	1,541,791	1,484	1,484
Receive fixed and pay fixed	1,000	1,000	2	2	1,000	1,000	3	3
Interest rate swaptions (over-the-counter):								
Sold	713,700	460,600	161	1,035	830,365	533,365	(2,377)	(1,443)
Bought	507,782	443,091	1,496	734	559,348	527,567	1,786	692
Interest rate options (over-the-counter):								
Sold	16,976	14,976	(44)	84	17,222	17,222	(60)	197
Bought	20,285	20,285	124	124	14,137	14,137	31	(49)
Total			¥ 18,056	¥ 18,296			¥ 19,608	¥ 19,626

	Thousands of U.S. dollars			
	Sept. 30, 2020			
	Contract/Notional principal		Fair value	Unrealized gain (loss)
Total	Maturity over 1 year			
Futures contracts (listed):				
Sold	\$ 11,842	\$ -	\$ (2)	\$ (2)
Bought	235,671	-	562	562
Interest rate options (listed):				
Sold	-	-	-	-
Bought	-	-	-	-
Interest rate swaps (over-the-counter):				
Receive fixed and pay floating	40,541,876	35,542,021	1,597,103	1,597,103
Receive floating and pay fixed	38,977,210	32,971,981	(1,439,121)	(1,439,121)
Receive floating and pay floating	16,865,859	15,173,288	(4,005)	(4,005)
Receive fixed and pay fixed	9,471	9,471	23	23
Interest rate swaptions (over-the-counter):				
Sold	6,759,803	4,362,569	1,534	9,809
Bought	4,809,454	4,196,738	14,171	6,954
Interest rate options (over-the-counter):				
Sold	160,793	141,850	(425)	796
Bought	192,132	192,132	1,181	1,181
Total			\$ 171,019	\$ 173,299

Notes:

- (1) Derivatives included in the table above were measured at fair value and the unrealized gains and losses were recognized in the interim consolidated statement of income.
- (2) The fair values of listed transactions represent the closing price on the Tokyo Financial Exchange and other exchanges. The fair values of over-the-counter transactions are calculated primarily by using the DCF method or option pricing models.

32. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

CONSOLIDATED

(b) CURRENCY-RELATED TRANSACTIONS

Currency-related transactions as of September 30, 2020 and March 31, 2020 were as follows:

	Millions of yen							
	Sept. 30, 2020				Mar. 31, 2020			
	Contract/Notional principal		Fair value	Unrealized gain (loss)	Contract/Notional principal		Fair value	Unrealized gain (loss)
Total	Maturity over 1 year	Total			Maturity over 1 year			
Currency swaps (over-the-counter)	¥ 549,083	¥ 506,986	¥ 6,310	¥ 6,310	¥ 523,007	¥ 499,811	¥ 6,516	¥ 6,516
Forward foreign exchange contracts (over-the-counter):								
Sold	1,058,553	79,888	(2,147)	(2,147)	1,256,078	72,525	(5,096)	(5,096)
Bought	644,176	77,373	2,557	2,557	824,500	76,570	(1,022)	(1,022)
Currency options (over-the-counter):								
Sold	791,762	419,662	(19,438)	12,522	824,749	430,229	(26,988)	7,248
Bought	738,784	386,750	16,036	(5,562)	720,203	387,121	21,480	(874)
Total			¥ 3,318	¥ 13,680			¥ (5,110)	¥ 6,770

Thousands of U.S. dollars

	Sept. 30, 2020			
	Contract/Notional principal		Fair value	Unrealized gain (loss)
	Total	Maturity over 1 year		
Currency swaps (over-the-counter)	\$ 5,200,637	\$ 4,801,919	\$ 59,774	\$ 59,774
Forward foreign exchange contracts (over-the-counter):				
Sold	10,026,078	756,660	(20,341)	(20,341)
Bought	6,101,311	732,840	24,224	24,224
Currency options (over-the-counter):				
Sold	7,499,172	3,974,825	(184,114)	118,604
Bought	6,997,391	3,663,107	151,890	(52,682)
Total			\$ 31,434	\$ 129,579

Notes:

- (1) Derivatives included in the table above were measured at fair value and the unrealized gains and losses were recognized in the interim consolidated statement of income.
- (2) The fair values are calculated primarily by using the DCF method or option pricing models.

32. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

CONSOLIDATED

(c) EQUITY-RELATED TRANSACTIONS

Equity-related transactions as of September 30, 2020 and March 31, 2020 were as follows:

	Millions of yen							
	Sept. 30, 2020				Mar. 31, 2020			
	Contract/Notional principal		Fair value	Unrealized gain (loss)	Contract/Notional principal		Fair value	Unrealized gain (loss)
Total	Maturity over 1 year	Total			Maturity over 1 year			
Equity index futures (listed):								
Sold	¥ 1,391	¥ –	¥ (1)	¥ (1)	461	¥ –	7	7
Bought	1,137	–	21	21	1,137	–	(198)	(198)
Equity index options (listed):								
Sold	7,712	–	(828)	(103)	8,172	–	(523)	224
Bought	11,125	–	217	(768)	11,125	–	450	(534)
Equity options (over-the-counter):								
Sold	2,800	–	(1,454)	(780)	2,800	–	(1,051)	(377)
Bought	3,172	–	2,516	1,946	3,172	–	1,686	1,116
Other (over-the-counter):								
Sold	–	–	–	–	–	–	–	–
Bought	–	–	–	–	–	–	–	–
Total			¥ 470	¥ 314			¥ 371	¥ 237

Thousands of U.S. dollars

	Sept. 30, 2020			
	Contract/Notional principal		Fair value	Unrealized gain (loss)
	Total	Maturity over 1 year		
Equity index futures (listed):				
Sold	\$ 13,176	\$ –	\$ (13)	\$ (13)
Bought	10,774	–	208	208
Equity index options (listed):				
Sold	73,049	–	(7,846)	(981)
Bought	105,370	–	2,055	(7,276)
Equity options (over-the-counter):				
Sold	26,528	–	(13,779)	(7,397)
Bought	30,044	–	23,834	18,435
Other (over-the-counter):				
Sold	–	–	–	–
Bought	–	–	–	–
Total			\$ 4,458	\$ 2,977

Notes:

- (1) Derivatives included in the table above were measured at fair value and the unrealized gains and losses were recognized in the interim consolidated statement of income.
- (2) The fair values of listed transactions represent the closing price on the Osaka Exchange and other exchanges. The fair values of over-the-counter transactions are calculated primarily by using the DCF method or option pricing models.

32. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

CONSOLIDATED

(d) BOND-RELATED TRANSACTIONS

Bond-related transactions as of September 30, 2020 and March 31, 2020 were as follows:

	Millions of yen							
	Sept. 30, 2020				Mar. 31, 2020			
	Contract/Notional principal		Fair value	Unrealized gain (loss)	Contract/Notional principal		Fair value	Unrealized gain (loss)
Total	Maturity over 1 year	Total			Maturity over 1 year			
Bond futures (listed):								
Sold	¥ 6,128	¥ –	¥ (4)	¥ (4)	¥ 2,948	¥ –	¥ (58)	¥ (58)
Bought	40,374	–	67	67	22,323	–	(38)	(38)
Bond options (listed):								
Sold	–	–	–	–	–	–	–	–
Bought	–	–	–	–	–	–	–	–
Total			¥ 62	¥ 62			¥ (96)	¥ (96)

	Thousands of U.S. dollars			
	Sept. 30, 2020			
	Contract/Notional principal		Fair value	Unrealized gain (loss)
Total	Maturity over 1 year			
Bond futures (listed):				
Sold	\$ 58,042	\$ –	\$ (41)	\$ (41)
Bought	382,403	–	635	635
Bond options (listed):				
Sold	–	–	–	–
Bought	–	–	–	–
Total			\$ 594	\$ 594

Notes:

- Derivatives included in the table above were measured at fair value and the unrealized gains and losses were recognized in the interim consolidated statement of income.
- The fair values of listed transactions represent the closing price on the Osaka Exchange and other exchanges. The fair values of over-the-counter transactions are calculated primarily by using the option pricing models.

(e) CREDIT DERIVATIVES TRANSACTIONS

Credit derivatives transactions as of September 30, 2020 and March 31, 2020 were as follows:

	Millions of yen							
	Sept. 30, 2020				Mar. 31, 2020			
	Contract/Notional principal		Fair value	Unrealized gain (loss)	Contract/Notional principal		Fair value	Unrealized gain (loss)
Total	Maturity over 1 year	Total			Maturity over 1 year			
Credit default option (over-the-counter):								
Sold	¥ 35,000	¥ 33,500	¥ 417	¥ 417	¥ 39,000	¥ 35,000	¥ (518)	¥ (518)
Bought	35,000	33,500	371	371	39,000	35,000	1,365	1,365
Total			¥ 789	¥ 789			¥ 847	¥ 847

	Thousands of U.S. dollars			
	Sept. 30, 2020			
	Contract/Notional principal		Fair value	Unrealized gain (loss)
Total	Maturity over 1 year			
Credit default option (over-the-counter):				
Sold	\$ 331,502	\$ 317,295	\$ 3,958	\$ 3,958
Bought	331,502	317,295	3,523	3,523
Total			\$ 7,481	\$ 7,481

Notes:

- Derivatives included in the table above were measured at fair value and the unrealized gains and losses were recognized in the interim consolidated statement of income.
- The fair values are calculated primarily by using the DCF method.
- "Sold" stands for accepting credit risk and "Bought" stands for transferring credit risk.

32. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

CONSOLIDATED

(B) DERIVATIVE TRANSACTIONS TO WHICH HEDGE ACCOUNTING WAS APPLIED

(a) INTEREST RATE-RELATED TRANSACTIONS

Interest rate-related transactions which are accounted for using the deferral method as of September 30, 2020 and March 31, 2020 were as follows:

	Millions of yen					
	Sept. 30, 2020			Mar. 31, 2020		
	Contract/Notional principal			Contract/Notional principal		
	Total	Maturity over 1 year	Fair value	Total	Maturity over 1 year	Fair value
Interest rate swaps:						
Receive fixed and pay floating	¥ 113,000	¥ 103,000	¥ 2,216	¥ 113,000	¥ 103,000	¥ 2,518
Receive floating and pay fixed	159,526	149,526	(16,398)	159,970	149,970	(17,567)
Total			¥ (14,182)			¥ (15,048)

Thousands of U.S. dollars

	Sept. 30, 2020		
	Contract/Notional principal		
	Total	Maturity over 1 year	Fair value
Interest rate swaps:			
Receive fixed and pay floating	\$ 1,070,278	\$ 975,564	\$ 20,991
Receive floating and pay fixed	1,510,951	1,416,236	(155,319)
Total			\$ (134,328)

Notes:

- (1) Most of the hedged items are interest-bearing assets and liabilities such as loans and bills discounted, available-for-sale securities (bonds) and deposits, including negotiable certificate of deposit.
- (2) Interest rate swaps are primarily accounted for using the deferral method in accordance with Industry Audit Committee Report No. 24 of the JICPA.
- (3) The fair values are calculated primarily by using the DCF method.

Interest rate swaps which meet specific matching criteria as of September 30, 2020 and March 31, 2020 were as follows:

	Millions of yen					
	Sept. 30, 2020			Mar. 31, 2020		
	Contract/Notional principal			Contract/Notional principal		
	Total	Maturity over 1 year	Fair value	Total	Maturity over 1 year	Fair value
Interest rate swaps:						
Receive floating and pay fixed	¥ 22,723	¥ 20,335	¥ —	¥ 24,563	¥ 21,452	¥ —

Thousands of U.S. dollars

	Sept. 30, 2020		
	Contract/Notional principal		
	Total	Maturity over 1 year	Fair value
Interest rate swaps:			
Receive floating and pay fixed	\$ 215,229	\$ 192,610	\$ —

Notes:

- (1) The hedged items are loans and bills discounted and borrowed money.
- (2) Interest rate swaps which meet specific matching criteria are accounted for as component of hedged loans and bills discounted and borrowed money. Therefore, the fair value of those interest rate swaps is included in the fair value of loans and bills discounted and borrowed money in fair value information shown in Note 31 "FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES".

32. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

CONSOLIDATED

Interest rate-related transactions which are accounted for using the cash flow hedge method as of September 30, 2020 and March 31, 2020 were as follows:

	Millions of yen					
	Sept. 30, 2020			Mar. 31, 2020		
	Contract/Notional principal			Contract/Notional principal		
	Total	Maturity over 1 year	Fair value	Total	Maturity over 1 year	Fair value
Interest rate swaps:						
Receive floating and pay fixed	¥ 100,413	¥ 65,668	¥ -	¥ -	¥ -	¥ -

	Thousands of U.S. dollars		
	Sept. 30, 2020		
	Contract/Notional principal		
	Total	Maturity over 1 year	Fair value
Interest rate swaps:			
Receive floating and pay fixed	\$ 951,061	\$ 621,974	\$ -

Notes:

- (1) The hedged item is corporate bonds.
- (2) Interest rate swaps are accounted for using the cash flow hedge method in transactions at certain foreign subsidiaries, which are adopting International Financial Reporting Standards ("IFRS").
- (3) The fair values are calculated primarily by using the DCF method.

(b) CURRENCY-RELATED TRANSACTIONS

Currency-related transactions which are accounted for using the deferral method as of September 30, 2020 and March 31, 2020 were as follows:

	Millions of yen					
	Sept. 30, 2020			Mar. 31, 2020		
	Contract/Notional principal			Contract/Notional principal		
	Total	Maturity over 1 year	Fair value	Total	Maturity over 1 year	Fair value
Currency swaps	¥ 267,691	¥ 236,045	¥ 17,373	¥ 288,711	¥ 258,299	¥ 13,882

	Thousands of U.S. dollars		
	Sept. 30, 2020		
	Contract/Notional principal		
	Total	Maturity over 1 year	Fair value
Currency swaps	\$ 2,535,437	\$ 2,235,703	\$ 164,549

Notes:

- (1) Most of the hedged items are foreign currency denominated loans and bills discounted, securities, deposits, and foreign exchanges.
- (2) Currency swap transactions are primarily accounted for using the deferral method in accordance with Industry Audit Committee Report No. 25 of the JICPA.
- (3) The fair values are calculated primarily by using the DCF method.

33. ADDITIONAL INFORMATION

CONSOLIDATED

(A) LOSSES ON AN INVESTMENT IN A LIMITED PARTNERSHIP HELD BY OUR CONSOLIDATED SUBSIDIARY

Shinsei NIB (Cayman) Limited is a wholly-owned and consolidated subsidiary of the Group, and the interim balance sheet date in the Group's interim consolidated financial statements is June 30, 2020. Shinsei NIB (Cayman) Limited invests as a limited partner in New NIB Partners LP (General Partner : New NIB GP LP) and New NIB GP LP invests in NIBC HOLDING N.V. ("NIBC"). On July 10, 2020, NIBC HOLDING N.V. ("NIBC") concluded the contract with Flora Acquisition B.V. concerning the amendment of the offer price to be paid to holders of NIBC shares on the public offer for all issued and outstanding shares in the capital of NIBC by Flora Acquisition B.V., which is owned by Blackstone Group Inc. Pursuant to the sales agreement of NIBC shares which was concluded with Flora Acquisition B.V. in accordance with the above contract to amend the offer price, New NIB Partners LP will sell all NIBC shares to Flora Acquisition B.V. by the end of December 2020. When this share transfer is effective and settled, New NIB Partners LP will record losses on sale of NIBC shares, and the Group will record around ¥2,700 millions (U.S.\$25,573 thousand) of losses, which are calculated in proportion to the Shinsei NIB (Cayman) Limited's interest in a limited partnership investment in New NIB Partners LP and are translated to at the rate of exchange prevailing on the Tokyo foreign exchange market on September 30, 2020.

(B) ACQUISITION OF TREASURY SHARES

On May 13, 2020, the Bank decided to acquire its own treasury shares in accordance with the provision of its Articles of Incorporation, pursuant to Article 459, Paragraph 1 of the Companies Act of Japan.

(a) Reason for acquisition

As a part of the Bank's efforts to achieve the repayment of public funds, a resolution to undertake the acquisition of treasury shares has been approved in light of factors such as the Bank's current capital position, earnings capability and per share values. Through this acquisition of treasury shares, assuming the maintenance of capital at sufficient levels, the Bank aims to increase the per share values through the implementation of an appropriate capital policy.

(b) Details of acquisition

- (i) Type of shares to be repurchased
Common stock
- (ii) Total number of shares to be repurchased
(Up to) 20,500 thousand shares (8.88% of total number of common shares issued, excluding treasury shares)
- (iii) Total repurchase amount
(Up to) ¥20,500 million (U.S.\$194,165 thousand)
- (iv) Acquisition period
From May 14, 2020 to March 31, 2021

In accordance with the aforementioned resolution by the Board of Directors, the Bank has undertaken the acquisition of treasury shares as follows:

- (i) Type of shares repurchased
Common stock
- (ii) Total number of shares repurchased
10,294,700 shares
- (iii) Total amount of repurchase
¥13,599,769,700 (U.S.\$128,810 thousand)
- (iv) Acquisition period
From May 14, 2020 to October 31, 2020
- (v) Acquisition method
Open market purchase on the Tokyo Stock Exchange

34. SUBSEQUENT EVENTS

CONSOLIDATED

(TRANSACTIONS UNDER COMMON CONTROL)

At the board of directors' meeting dated October 30, 2020, the Bank resolved to demand that noncontrolling shareholders of APLUS FINANCIAL Co., Ltd. (hereinafter, "the Target Company") sell all of the shares to the Bank (hereinafter referred to as the "Demand for Share Cash-Out") and notified the Target Company of that on the same date. Following this notice, the Target Company resolved to approve the Demand for Share Cash-out at a board of directors' meeting of the Target Company, which was held on the same date.

(A) Outline of the transaction

(a) Name and business description of the acquired company:

Name of acquired company: APLUS FINANCIAL Co., Ltd.

Description of business: Operating Holding company, which is not only controlling its subsidiaries but also is operating finance business by itself

(b) Date of the business combination (planned):

December 1, 2020

(c) Legal form of the business combination:

Acquisition of shares from noncontrolling shareholders with cash consideration

(d) Name of the company after the business combination:

A change of the company name is not planned.

(e) Other matters concerning outline of the transaction:

The ration of the voting rights of the shares of the Target Company to be additionally acquired by the Bank through the Demand for Share Cash-Out is 5.1%, and the Target Company will become a wholly owned subsidiary of the Bank on December 1, 2020, effective date of the Demand for Share Cash-Out. As a result, the shares of Target Company are scheduled to be delisted from the First Section of the Tokyo Stock Exchange on November 27, 2020.

This transaction aims to allow us to optimize our group-based resources, as well as enable us to focus our decision-making towards further promoting our Medium-Term Strategies and also to achieve a higher level of corporate governance throughout our group headquarters, which was established in Shinsei Bank Group in 2017.

(B) Outline of the accounting treatment

Our Group plans to treat the business combination as a transaction with noncontrolling interest in accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and "Guidance on Accounting Standard for business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019).

(C) Matters concerning the additional purchase of the subsidiary's shares

The acquisition cost and the breakdown by type of consideration

Consideration for acquisition	Cash	¥6,624 million	(U.S.\$62,746 thousand)
Acquisition cost		¥6,624 million	(U.S.\$62,746 thousand)

(D) Matters concerning the change in our Group's ownership interest due to the transaction with noncontrolling interests

(a) Major causes of changes in capital surplus:

Additional purchase of the subsidiary's shares

(b) Amount of changes in capital surplus as a result of the transaction with noncontrolling interests:

Not determined.

INTERIM NONCONSOLIDATED BALANCE SHEET (UNAUDITED)

Shinsei Bank, Limited
As of September 30, 2020

	Millions of yen		Thousands of U.S. dollars (Note)
	Sept. 30, 2020	Mar. 31, 2020	Sept. 30, 2020
ASSETS			
Cash and due from banks	¥ 1,546,146	¥ 1,475,672	\$ 14,644,310
Other monetary claims purchased	32,864	42,795	311,279
Trading assets	194,847	206,547	1,845,497
Monetary assets held in trust	289,608	312,128	2,743,027
Securities	1,203,863	1,265,800	11,402,378
Loans and bills discounted	5,094,183	5,040,819	48,249,511
Foreign exchanges	64,578	73,879	611,653
Other assets	210,214	234,006	1,991,049
Premises and equipment	11,489	12,435	108,823
Intangible assets	24,728	25,631	234,219
Prepaid pension cost	7,101	6,940	67,264
Deferred tax assets	322	2,731	3,057
Customers' liabilities for acceptances and guarantees	22,165	18,787	209,944
Reserve for credit losses	(36,195)	(31,480)	(342,826)
Total assets	¥ 8,665,920	¥ 8,686,696	\$ 82,079,185
LIABILITIES AND EQUITY			
Liabilities:			
Deposits, including negotiable certificates of deposit	¥ 6,530,491	¥ 6,451,032	\$ 61,853,493
Call money	95,000	165,000	899,792
Payables under repurchase agreements	11,069	38,956	104,847
Payables under securities lending transactions	306,119	345,357	2,899,411
Trading liabilities	172,324	182,969	1,632,170
Borrowed money	384,531	342,683	3,642,083
Foreign exchanges	1,208	687	11,450
Corporate bonds	175,000	116,500	1,657,511
Other liabilities	120,114	162,115	1,137,668
Accrued employees' bonuses	2,493	4,840	23,615
Reserve for reimbursement of deposits	577	621	5,470
Reserve for reimbursement of debentures	3,406	3,513	32,267
Acceptances and guarantees	22,165	18,787	209,944
Total liabilities	7,824,504	7,833,066	74,109,721
Equity:			
Common stock	512,204	512,204	4,851,341
Capital surplus	79,465	79,465	752,661
Stock acquisition rights	101	76	965
Retained earnings:			
Legal reserve	16,195	15,734	153,399
Unappropriated retained earnings	320,546	322,795	3,036,051
Unrealized gain (loss) on available-for-sale securities	(424)	624	(4,024)
Deferred gain (loss) on derivatives under hedge accounting	(16,164)	(16,174)	(153,106)
Treasury stock, at cost	(70,508)	(61,097)	(667,823)
Total equity	841,415	853,629	7,969,464
Total liabilities and equity	¥ 8,665,920	¥ 8,686,696	\$ 82,079,185

Note: U.S. dollar amounts, presented solely for the readers' convenience, are translated at ¥105.58=U.S.\$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on September 30, 2020.

INTERIM NONCONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

Shinsei Bank, Limited
For the six months ended September 30, 2020

	Millions of yen		Thousands of U.S. dollars (Note)
	Sept. 30, 2020 (6 months)	Sept. 30, 2019 (6 months)	Sept. 30, 2020 (6 months)
Interest income:			
Interest on loans and bills discounted	¥ 43,240	¥ 49,701	\$ 409,556
Interest and dividends on securities	5,549	9,782	52,558
Interest on deposits with banks	537	580	5,093
Other interest income	320	633	3,039
Total interest income	49,648	60,697	470,247
Interest expenses:			
Interest on deposits, including negotiable certificates of deposit	2,337	2,791	22,141
Interest on other borrowings	348	(48)	3,301
Interest on corporate bonds	169	42	1,601
Other interest expenses	2,674	5,642	25,331
Total interest expenses	5,529	8,427	52,374
Net interest income	44,119	52,270	417,873
Fees and commissions income	6,616	10,304	62,672
Fees and commissions expenses	12,636	13,971	119,686
Net fees and commissions	(6,019)	(3,666)	(57,013)
Net trading income	1,801	3,126	17,059
Other business income (loss), net:			
Net gain (loss) on monetary assets held in trust	1,285	1,294	12,178
Net gain (loss) on foreign exchanges	2,432	1,705	23,043
Net gain (loss) on securities	1,619	5,957	15,343
Net gain (loss) on other monetary claims purchased	(0)	—	(4)
Other, net	77	108	729
Net other business income (loss)	5,415	9,064	51,290
Total revenue	45,315	60,795	429,208
General and administrative expenses:			
Personnel expenses	13,788	14,036	130,598
Premises expenses	5,184	6,011	49,109
Technology and data processing expenses	6,393	6,246	60,559
Advertising expenses	434	397	4,113
Consumption and property taxes	2,702	2,487	25,594
Deposit insurance premium	760	790	7,201
Other general and administrative expenses	5,387	6,535	51,023
Total general and administrative expenses	34,651	36,505	328,197
Net business profit	10,664	24,289	101,011
Net credit costs (recoveries)	6,391	2,601	60,535
Other gains (losses), net	(439)	2,425	(4,163)
Income (loss) before income taxes	3,833	24,113	36,313
Income taxes (benefit):			
Current	635	243	6,022
Deferred	2,638	1,174	24,986
Net income (loss)	¥ 560	¥ 22,695	\$ 5,305

Note: U.S. dollar amounts, presented solely for the readers' convenience, are translated at ¥105.58=U.S.\$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on September 30, 2020.

INTERIM NONCONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Shinsei Bank, Limited
For the six months ended September 30, 2020

	Millions of yen										
	Capital surplus				Retained earnings						Total equity
	Common stock	Additional paid-in capital	Other capital surplus	Stock acquisition rights	Legal reserve	Unappropriated retained earnings	Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Treasury stock, at cost		
BALANCE, April 1, 2020	¥ 512,204	¥ 79,465	¥ -	¥ 76	¥ 15,734	¥ 322,795	¥ 624	¥ (16,174)	¥ (61,097)	¥ 853,629	
Dividends					461	(2,768)				(2,307)	
Net income (loss)						560				560	
Purchase of treasury stock									(9,543)	(9,543)	
Disposal of treasury stock				(40)					132	91	
Transfer to capital surplus from retained earnings			40			(40)				-	
Net change during the period				25			(1,049)	9		(1,014)	
BALANCE, September 30, 2020	¥ 512,204	¥ 79,465	¥ -	¥ 101	¥ 16,195	¥ 320,546	¥ (424)	¥ (16,164)	¥ (70,508)	¥ 841,415	

	Millions of yen										
	Capital surplus				Retained earnings						Total equity
	Common stock	Additional paid-in capital	Other capital surplus	Stock acquisition rights	Legal reserve	Unappropriated retained earnings	Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Treasury stock, at cost		
BALANCE, April 1, 2019	¥ 512,204	¥ 79,465	¥ -	¥ 49	¥ 15,243	¥ 292,611	¥ 4,719	¥ (17,925)	¥ (37,729)	¥ 848,640	
Dividends					490	(2,943)				(2,452)	
Net income (loss)						22,695				22,695	
Purchase of treasury stock									(9,207)	(9,207)	
Disposal of treasury stock				(53)					132	78	
Transfer to capital surplus from retained earnings			53			(53)				-	
Net change during the period				27			(1,330)	(422)		(1,725)	
BALANCE, September 30, 2019	¥ 512,204	¥ 79,465	¥ -	¥ 76	¥ 15,734	¥ 312,310	¥ 3,389	¥ (18,347)	¥ (46,804)	¥ 858,029	

	Thousands of U.S. dollars (Note)										
	Capital surplus				Retained earnings						Total equity
	Common stock	Additional paid-in capital	Other capital surplus	Stock acquisition rights	Legal reserve	Unappropriated retained earnings	Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Treasury stock, at cost		
BALANCE, April 1, 2020	\$ 4,851,341	\$ 752,661	\$ -	\$ 725	\$ 149,028	\$ 3,057,351	\$ 5,916	\$ (153,194)	\$ (578,681)	\$ 8,085,148	
Dividends					4,371	(26,226)				(21,855)	
Net income (loss)						5,305				5,305	
Purchase of treasury stock									(90,392)	(90,392)	
Disposal of treasury stock				(379)					1,250	871	
Transfer to capital surplus from retained earnings			379			(379)				-	
Net change during the period				239			(9,940)	87		(9,613)	
BALANCE, September 30, 2020	\$ 4,851,341	\$ 752,661	\$ -	\$ 965	\$ 153,399	\$ 3,036,051	\$ (4,024)	\$ (153,106)	\$ (667,823)	\$ 7,969,464	

Note: U.S. dollar amounts, presented solely for the readers' convenience, are translated at ¥105.58=U.S.\$1.00, the rate of exchange prevailing on the Tokyo foreign exchange market on September 30, 2020.

CAPITAL ADEQUACY REQUIREMENT (BASEL ACCORD) PILLAR III (MARKET DISCIPLINE) DISCLOSURE

This chapter describes information that needs to be disclosed in disclosure documents related to the reported business year pursuant to the Financial Services Agency Notice No. 7 of 2014 (Basel Accord - Pillar III: Market Discipline) as the "matters concerning the status of capital adequacy separately prescribed by the Commissioner of the Financial Services Agency" as provided in Article 19-2 (1) (v) (d) of the Ordinance for Enforcement of the Banking Act (Ministry of Finance Ordinance No. 10 of 1982).

"Accord" in this chapter refers to the Financial Services Agency Notice No. 19 of 2006 (Basel Accord - Pillar I: Minimum Capital Ratio).

With regard to the internal controls related to the calculation of the capital adequacy ratio, we received an independent audit by Deloitte Touche Tohmatsu LLC in accordance with "Treatment of Inspection of the Capital Ratio Calculation Framework Based on Agreed-Upon Procedures" (JICPA Professional Business Practice Guidelines 4465, as per Industry Committee Report No. 30). The certain procedures performed by the external auditor are not a part of the audit of the financial statements. The certain procedures are agreed with us and the external auditor and are not a validation of appropriateness of the capital ratio itself or opinion on the internal controls related to the capital ratio.

COMPOSITION OF CAPITAL DISCLOSURE (CONSOLIDATED)

Shinsei Bank and subsidiaries

Millions of yen (except percentages)

September 30, 2020
Basel III
(Domestic Standard)

Items

	September 30, 2020 Basel III (Domestic Standard)	September 30, 2019 Basel III (Domestic Standard)
Core capital: instruments and reserves (1)		
Directly issued qualifying common share capital or preferred share capital with a compulsory conversion clause plus related capital surplus and retained earnings	¥ 920,843	¥ 916,082
of which: capital and capital surplus	590,743	590,710
of which: retained earnings	400,609	372,176
of which: treasury stock (-)	70,508	46,804
of which: earning to be distributed (-)	-	-
of which: other than above	-	-
Accumulated other comprehensive income (amount allowed to be included in Core capital)	(5,062)	(2,381)
of which: foreign currency translation adjustment	(1,529)	(2,806)
of which: amount related defined benefit	(3,532)	425
Stock acquisition right to common shares and preferred shares with a compulsory conversion clause	101	76
Adjusted noncontrolling interests (amount allowed to be included in Core capital)	16	7
Total of reserves included in Core capital: instruments and reserves	936	441
of which: general reserve for loan losses included in Core capital	936	441
of which: eligible provision included in Core capital	-	-
Eligible noncumulative perpetual preferred shares subject to transitional arrangements (amount allowed to be included in Core capital: instruments and reserves)	-	-
Eligible capital instruments subject to transitional arrangements (amount allowed to be included in Core capital: instruments and reserves)	-	-
Capital instruments issued through measures for capital enhancement by public institutions (amount allowed to be included in Core capital: instruments and reserves)	-	-
Land revaluation excess after 55% discount (amount allowed to be included in Core capital: instruments and reserves)	-	-
Noncontrolling interests subject to transitional arrangements (amount allowed to be included in Core capital: instruments and reserves)	3,869	4,115
Core capital: instruments and reserves (A)	¥ 920,705	¥ 918,342
Core capital: regulatory adjustments (2)		
Total amount of intangible assets (excluding those relating to mortgage servicing rights)	¥ 56,516	¥ 52,871
of which: goodwill (including those equivalent)	18,839	13,964
of which: other intangibles other than goodwill and mortgage servicing rights	37,676	38,907
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	5,593	6,680
Shortfall of eligible provisions to expected losses	30,949	37,544
Gain on sale of securitization	-	-
Gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Net defined benefit asset	4,129	7,798
Investments in own shares (excluding those reported in the net assets section)	-	0
Reciprocal cross-holdings in common equity	-	-
Investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation ("Other Financial Institutions"), net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above the 10% threshold)	-	-
Amount exceeding the 10% threshold on specific items	-	-
of which: significant investments in the common stock of Other Financial Institutions, net of eligible short positions	-	-
of which: mortgage servicing rights	-	-
of which: deferred tax assets arising from temporary differences (net of related tax liability)	-	-
Amount exceeding the 15% threshold on specific items	-	-
of which: significant investments in the common stock of Other Financial Institutions, net of eligible short positions	-	-
of which: mortgage servicing rights	-	-
of which: deferred tax assets arising from temporary differences (net of related tax liability)	-	-
Core capital: regulatory adjustments (B)	¥ 97,188	¥ 104,894
Capital (consolidated)		
Capital (consolidated) ((A)-(B)) (C)	¥ 823,516	¥ 813,447
Risk-weighted assets, etc.		
Total amount of credit risk-weighted assets	¥6,943,573	¥6,513,664
of which: total amount included in risk-weighted assets by transitional arrangements	-	-
of which: significant investments in the common stock of Other Financial Institutions (net of eligible short positions)	-	-
of which: other than above	-	-
Market risk (derived by multiplying the capital requirement by 12.5)	204,650	136,290
Operational risk (derived by multiplying the capital requirement by 12.5)	387,339	384,722
Credit risk-weighted assets adjustments	-	-
Operational risk adjustments	-	-
Total amount of Risk-weighted assets (D)	¥7,535,562	¥7,034,676
Capital ratio (consolidated)		
Capital ratio (consolidated) ((C)/(D))	10.92%	11.56%

Note: In the calculation of the consolidated capital adequacy ratio as of Sep 30, 2019, parameter estimates applied to some exposures are adjusted for the fiscal year ending March 2019.

COMPOSITION OF CAPITAL DISCLOSURE (CONSOLIDATED) (continued)

Shinsei Bank and subsidiaries	Millions of yen (except percentages)
Items	March 31, 2020 Basel III (Domestic Standard)
Core capital: instruments and reserves (1)	
Directly issued qualifying common share capital or preferred share capital with a compulsory conversion clause plus related capital surplus and retained earnings	¥ 916,906
of which: capital and capital surplus	590,710
of which: retained earnings	389,600
of which: treasury stock (-)	61,097
of which: earning to be distributed (-)	2,307
of which: other than above	-
Accumulated other comprehensive income (amount allowed to be included in Core capital)	(5,255)
of which: foreign currency translation adjustment	(1,670)
of which: amount related defined benefit	(3,585)
Stock acquisition right to common shares and preferred shares with a compulsory conversion clause	76
Adjusted noncontrolling interests (amount allowed to be included in Core capital)	17
Total of reserves included in Core capital: instruments and reserves	637
of which: general reserve for loan losses included in Core capital	637
of which: eligible provision included in Core capital	-
Eligible noncumulative perpetual preferred shares subject to transitional arrangements (amount allowed to be included in Core capital: instruments and reserves)	-
Eligible capital instruments subject to transitional arrangements (amount allowed to be included in Core capital: instruments and reserves)	-
Capital instruments issued through measures for capital enhancement by public institutions (amount allowed to be included in Core capital: instruments and reserves)	-
Land revaluation excess after 55% discount (amount allowed to be included in Core capital: instruments and reserves)	-
Noncontrolling interests subject to transitional arrangements (amount allowed to be included in Core capital: instruments and reserves)	3,352
Core capital: instruments and reserves (A)	¥ 915,735
Core capital: regulatory adjustments (2)	
Total amount of intangible assets (excluding those relating to mortgage servicing rights)	¥ 52,178
of which: goodwill (including those equivalent)	13,015
of which: other intangibles other than goodwill and mortgage servicing rights	39,163
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	6,844
Shortfall of eligible provisions to expected losses	30,318
Gain on sale of securitization	-
Gains and losses due to changes in own credit risk on fair valued liabilities	-
Net defined benefit asset	3,943
Investments in own shares (excluding those reported in the net assets section)	-
Reciprocal cross-holdings in common equity	-
Investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation ("Other Financial Institutions"), net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above the 10% threshold)	-
Amount exceeding the 10% threshold on specific items	-
of which: significant investments in the common stock of Other Financial Institutions, net of eligible short positions	-
of which: mortgage servicing rights	-
of which: deferred tax assets arising from temporary differences (net of related tax liability)	-
Amount exceeding the 15% threshold on specific items	-
of which: significant investments in the common stock of Other Financial Institutions, net of eligible short positions	-
of which: mortgage servicing rights	-
of which: deferred tax assets arising from temporary differences (net of related tax liability)	-
Core capital: regulatory adjustments (B)	¥ 93,284
Capital (consolidated)	
Capital (consolidated) ((A)-(B)) (C)	¥ 822,450
Risk-weighted assets, etc.	
Total amount of credit risk-weighted assets	¥6,741,251
of which: total amount included in risk-weighted assets by transitional arrangements	-
of which: significant investments in the common stock of Other Financial Institutions (net of eligible short positions)	-
of which: other than above	-
Market risk (derived by multiplying the capital requirement by 12.5)	206,136
Operational risk (derived by multiplying the capital requirement by 12.5)	389,243
Credit risk-weighted assets adjustments	-
Operational risk adjustments	-
Total amount of Risk-weighted assets (D)	¥7,336,631
Capital ratio (consolidated)	
Capital ratio (consolidated) ((C)/(D))	11.21%

QUANTITATIVE DISCLOSURE (CONSOLIDATED)**1. NAMES OF SUBSIDIARIES THAT ARE OUTSIDE THE SCOPE OF REGULATORY CONSOLIDATION WITH LOWER LEVEL OF CAPITAL THAN REQUIRED LEVEL OF ADEQUACY CAPITAL AND AMOUNT OF SHORTAGE**

• There are no companies that are subject to the above.

2. CAPITAL ADEQUACY**(1) AMOUNT OF REQUIRED CAPITAL FOR CREDIT RISK**

Portfolios under the Standardized Approach (SA)

	Millions of yen	
	As of September 30, 2020	As of September 30, 2019
	Required capital amount	Required capital amount
Shinsei Bank	¥ 324	¥ 397
Subsidiaries	32,830	13,687
UDC Finance Limited	18,775	—

Note: UDC Finance Limited was newly consolidated due to its acquisition of shares in the six months ended September 30, 2020.

Portfolios under the Internal Ratings-Based Approach (IRB)

	Millions of yen	
	As of September 30, 2020	As of September 30, 2019
	Required capital amount	Required capital amount
Corporate (Excluding Specialized Lending) ¹	¥ 152,633	¥ 147,362
Specialized Lending ²	115,836	100,027
Sovereign	4,260	5,792
Bank	12,292	14,795
Residential mortgages	9,943	9,510
Qualified revolving retails	116,792	130,467
Other retails	177,417	167,842
Equity	23,185	21,647
Fund	15,745	16,396
Securitization	43,977	43,320
Purchase receivables	13,781	11,146
Other assets	3,649	3,530
CVA risk	14,209	12,118
CCP risk	97	97
Total	¥ 703,822	¥ 684,056

Note:1."Corporate" includes "Small and Medium-sized Entities."

2."Specialized Lending" refers to a claim whose source of recovery is solely dependent on the cash flow generated from a transaction such as a real estate nonrecourse loan.

(2) AMOUNT OF REQUIRED CAPITAL FOR EQUITY EXPOSURE UNDER IRB

	Millions of yen	
	As of September 30, 2020	As of September 30, 2019
	Required capital amount	Required capital amount
Market-Based Approach Simplified Method	¥ 6,161	¥ 5,259
PD/LGD Method	2,764	3,173
RW100% Applied	4	4
RW250% Applied	14,255	13,211
Total	¥23,185	¥21,647

(3) EXPOSURE RELATING TO INVESTMENT FUNDS

	Millions of yen	
	As of September 30, 2020	As of September 30, 2019
	Required capital amount	Required capital amount
Look-through approach	¥ 1,832	¥ 1,284
Mandate-based approach	335	342
Probability-based approach [250%]	—	—
Probability-based approach [400%]	13,576	14,769
Fall-back approach [1,250%]	0	0
Total	¥15,745	¥16,396

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)**(4) AMOUNT OF REQUIRED CAPITAL FOR MARKET RISK**

	Millions of yen	
	As of September 30, 2020	As of September 30, 2019
	Required capital amount	Required capital amount
The Standardized Approach	¥ 631	¥ 491
Interest rate risk	27	52
Equity position risk	2	12
FX risk	600	395
Securitization risk	1	31
The Internal Models Approach (IMA) (General Market Risk)	¥15,740	¥10,411

(5) AMOUNT OF REQUIRED CAPITAL FOR OPERATIONAL RISK

	Millions of yen	
	As of September 30, 2020	As of September 30, 2019
	Required capital amount	Required capital amount
The Standardized Approach	¥30,987	¥30,777

(6) TOTAL REQUIRED CAPITAL (DOMESTIC STANDARD)

	Millions of yen	
	As of September 30, 2020	As of September 30, 2019
Total Required Capital (Risk-weighted Assets x 4%)	¥ 301,422	¥ 281,387

3. CREDIT RISK EXPOSURE (EXCLUDING SECURITIZATION AND EXPOSURES RELATING TO INVESTMENT FUNDS)**(1) AMOUNT OF CREDIT RISK EXPOSURE**

Geographic, Industries or Maturity

	Millions of yen							
	As of September 30, 2020				As of September 30, 2019			
	Amount of Credit Risk Exposure				Amount of Credit Risk Exposure			
	Total	Loans, etc. ¹	Securities ²	Derivatives ³	Total	Loans, etc. ¹	Securities ²	Derivatives ³
Manufacturing	¥ 341,343	¥ 319,547	¥ –	¥ 21,796	¥ 322,700	¥ 299,453	¥ –	¥ 23,247
Agriculture	1,725	1,725	–	–	1,655	1,655	–	–
Mining	1,582	1,580	–	1	1,752	1,751	–	1
Construction	71,793	71,593	200	–	68,375	68,168	200	7
Electric power, gas, water supply	518,733	489,319	–	29,413	414,041	391,709	–	22,332
Information and communication	49,217	49,217	–	0	50,993	50,992	–	1
Transportation	179,560	179,171	–	389	219,136	218,744	–	391
Wholesale and retail	212,744	199,765	100	12,878	227,594	213,638	100	13,856
Finance and insurance	2,404,413	2,156,689	224,362	23,361	2,033,281	1,830,473	178,636	24,171
Real estate	795,023	685,132	108,117	1,773	789,179	663,162	123,447	2,569
Services	585,810	584,051	900	858	574,369	572,815	750	803
Government	374,347	63,384	310,962	–	520,698	75,265	445,432	–
Individuals	3,266,302	3,266,060	–	241	3,236,858	3,236,540	–	317
Others	2,324	2,324	–	–	3,721	3,721	–	–
Domestic Total	8,804,922	8,069,565	644,642	90,715	8,464,360	7,628,094	748,567	87,699
Foreign	1,192,822	988,731	141,561	62,529	933,636	679,645	190,069	63,921
Total	¥ 9,997,745	¥ 9,058,297	¥ 786,203	¥ 153,244	¥ 9,397,997	¥ 8,307,739	¥ 938,636	¥ 151,621
To 1 year	1,626,553	1,464,009	148,568	13,975	1,622,179	1,454,940	151,507	15,732
1 to 3 years	1,662,753	1,472,643	167,347	22,762	1,772,083	1,473,038	277,992	21,052
3 to 5 years	1,338,440	1,135,503	178,284	24,651	1,069,090	881,519	163,720	23,851
Over 5 years	3,323,054	2,940,699	290,500	91,855	3,220,557	2,785,657	343,914	90,985
Undated	2,046,943	2,045,441	1,501	–	1,714,086	1,712,584	1,501	–
Total	¥ 9,997,745	¥ 9,058,297	¥ 786,203	¥ 153,244	¥ 9,397,997	¥ 8,307,739	¥ 938,636	¥ 151,621

Note:1 Excluding purchased receivables.

2 Excluding equity exposures.

3 Credit equivalent amount basis.

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)**(2) AMOUNT OF DEFAULT EXPOSURE BEFORE PARTIAL WRITE-OFF**

Geographic, Industries

	Millions of yen	
	As of September 30, 2020	As of September 30, 2019
	Default Exposure	Default Exposure
Manufacturing	¥ 864	¥ 4,374
Agriculture	21	45
Mining	—	—
Construction	2,295	952
Electric power, gas, water supply	5,548	6,422
Information and communication	140	591
Transportation	2,463	1,093
Wholesale and retail	8,215	4,582
Finance and insurance	0	184
Real estate	10,808	4,386
Services	6,501	4,167
Government	—	—
Individuals	120,560	119,521
Others	635	687
Domestic Total	158,055	147,010
Foreign	8,705	5,840
Total	¥ 166,761	¥ 152,851

Note: Excluding purchased receivables.

(3) AMOUNT OF LOAN LOSS RESERVES (GENERAL, SPECIFIC AND COUNTRY RISK) BEFORE PARTIAL WRITE-OFF

	Millions of yen					
	As of September 30, 2020			As of September 30, 2019		
	Start Amount	Change Amount	End Amount	Start Amount	Change Amount	End Amount
General	¥ 77,979	¥ (615)	¥ 77,363	¥ 71,719	¥ (1,658)	¥ 70,061
Specific	78,703	4,922	83,626	80,820	764	81,584
Country	—	—	—	—	—	—
Total	¥ 156,682	¥ 4,306	¥ 160,989	¥ 152,540	¥ (893)	¥ 151,646

Geographic

	Millions of yen							
	As of September 30, 2020				As of September 30, 2019			
	Reserve Amount				Reserve Amount			
	Total	General	Specific	Country	Total	General	Specific	Country
Domestic	¥ 152,971	¥ 72,180	¥ 80,790	¥ —	¥ 145,652	¥ 66,140	¥ 79,512	¥ —
Foreign	8,018	5,183	2,835	—	5,993	3,920	2,072	—
Total	¥ 160,989	¥ 77,363	¥ 83,626	¥ —	¥ 151,646	¥ 70,061	¥ 81,584	¥ —

Industries

	Millions of yen	
	As of September 30, 2020	As of September 30, 2019
	Reserve Amount	Reserve Amount
Manufacturing	¥ 1,918	¥ 2,579
Agriculture	9	39
Mining	9	10
Construction	882	747
Electric power, gas, water supply	8,280	5,881
Information and communication	472	927
Transportation	3,732	1,289
Wholesale and retail	7,069	4,604
Finance and insurance	1,317	1,886
Real estate	7,984	4,568
Services	7,593	6,543
Government	41	38
Individuals	110,971	114,166
Others	507	547
Foreign	8,018	5,993
Non-classified	2,180	1,821
Total	¥ 160,989	¥ 151,646

Note: Although the specific allowance for credit losses does not include the allowance relating to any securitization exposures and exposures relating to funds, the allowance relating to these exposures is not excluded from both the general allowance for credit losses and the allowance for loans to specific foreign borrowers, because we do not manage provisioning with respect to each asset class based on Basel III.

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)**(4) AMOUNT OF WRITE-OFFS**

Industries

	Millions of yen	
	Six months ended September 30, 2020	Six months ended September 30, 2019
	Amount of write-off	Amount of write-off
Manufacturing	¥ 114	¥ 46
Agriculture	23	4
Mining	—	—
Construction	93	32
Electric power, gas, water supply	—	—
Information and communication	1	2
Transportation	12	18
Wholesale and retail	108	26
Finance and insurance	—	—
Real estate	—	—
Services	95	47
Government	—	—
Individuals	16,834	20,830
Others	—	—
Foreign	610	—
Non-classified	0	—
Total	¥17,895	¥21,007

(5) AMOUNT OF EXPOSURES UNDER SA (AFTER CREDIT RISK MITIGATION)

	Millions of yen			
	As of September 30, 2020		As of September 30, 2019	
	Rated	Unrated	Rated	Unrated
0%	¥ 73	¥ 9,808	¥ 62	¥ 12,154
10%	—	—	—	—
20%	39,384	29	22,835	29
35%	—	2,700	—	1,688
50%	3,752	1,256	4,101	491
75%	—	157,309	—	74,828
100%	377	279,473	207	110,147
150%	—	1,981	—	1,414
350%	—	—	—	—
1,250%	—	—	—	—
Total	¥ 43,588	¥ 452,558	¥ 27,205	¥ 200,755

(6) SPECIALIZED LENDING EXPOSURE UNDER SLOTTING CRITERIA AND EQUITY EXPOSURE UNDER MARKET-BASED SIMPLIFIED METHOD

Specialized lending excluding high-volatility commercial real estate

	Millions of yen	
	As of September 30, 2020	As of September 30, 2019
	Amount of Exposure	Amount of Exposure
Risk weight ratio		
50%	¥ 140,150	¥ 166,106
70%	607,576	500,325
90%	163,234	128,931
115%	50,453	76,803
250%	89,191	34,646
0% (Default)	14,216	8,579
Total	¥ 1,064,822	¥ 915,392

Specialized lending for high-volatility commercial real estate

	Millions of yen	
	As of September 30, 2020	As of September 30, 2019
	Amount of Exposure	Amount of Exposure
Risk weight ratio		
70%	¥ 3,400	¥ 12,499
95%	21,542	41,959
120%	24,516	25,036
140%	53,952	21,538
250%	13,559	49,220
0% (Default)	3,288	3,689
Total	¥ 120,259	¥ 153,944

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)

Equity exposure under Market-Based Simplified Method

	Millions of yen	
	As of September 30, 2020	As of September 30, 2019
Risk weight ratio	Amount of Exposure	Amount of Exposure
300%	¥ 1,098	¥ 7,146
400%	17,339	10,145
Total	¥18,438	¥17,292

(7) PORTFOLIOS UNDER IRB EXCLUDING THE AMOUNT OF EXPOSURES UNDER SA (AFTER CREDIT RISK MITIGATION)

- Estimated average PD, LGD, Risk Weight Ratio and Exposure at Default (EAD) (on-balance and off-balance) for Corporate, Sovereign and Bank exposure

Corporate

Credit Rating	As of September 30, 2020					As of September 30, 2019				
	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)
0-4	0.14%	44.90%	37.35%	¥ 1,610,657	¥ 181,566	0.13%	44.82%	36.63%	¥ 1,579,733	¥ 174,751
5-6	1.51%	44.02%	93.83%	641,981	88,133	1.50%	43.92%	94.27%	678,355	80,443
9A	9.56%	43.83%	179.63%	99,196	7,528	9.34%	44.76%	184.63%	79,924	5,951
Default	100.00%	44.90%	—	24,140	508	100.00%	49.76%	—	17,593	685

Note: LGD is shown after credit risk mitigation

Sovereign

Credit Rating	As of September 30, 2020					As of September 30, 2019				
	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)
0-4	0.00%	45.00%	2.38%	¥ 2,079,131	¥ 3,870	0.00%	45.00%	3.30%	¥ 2,046,726	¥ 2,763
5-6	—	—	—	—	—	0.50%	45.00%	52.16%	0	—
9A	—	—	—	—	—	—	—	—	—	—
Default	100.00%	45.00%	—	10	—	100.00%	45.00%	—	10	—

Note: LGD is shown after credit risk mitigation

Bank

Credit Rating	As of September 30, 2020					As of September 30, 2019				
	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)
0-4	0.06%	44.99%	34.60%	¥ 204,502	¥ 74,709	0.07%	44.98%	37.41%	¥ 176,452	¥ 80,141
5-6	1.13%	45.00%	106.93%	33,692	650	0.86%	45.00%	100.01%	24,405	1,581
9A	9.56%	45.00%	191.02%	3,546	—	9.34%	43.25%	164.42%	1,431	21,825
Default	100.00%	45.00%	—	0	—	100.00%	45.00%	—	184	—

Note: LGD is shown after credit risk mitigation

- Estimated average PD, risk weight ratio and amount of exposure for equity exposure under PD/LGD method

Credit Rating	As of September 30, 2020				As of September 30, 2019			
	PD	LGD	Risk Weight	Amount	PD	LGD	Risk Weight	Amount
0-4	0.13%	90.00%	223.93%	¥ 6,950	0.13%	90.00%	209.09%	¥ 6,321
5-6	0.73%	90.00%	290.04%	1,421	1.80%	90.00%	374.85%	2,717
9A	9.56%	90.00%	757.56%	1,704	9.34%	90.00%	714.76%	1,960
Default	100.00%	90.00%	1,125.00%	0	100.00%	90.00%	1,125.00%	0

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)

- Estimated average PD, LGD, risk weight ratio, Exposure at Default (EAD) (on- and off-balance), amount of undrawn commitments and estimated average Credit Conversion Factors (CCF) of undrawn commitments for residential mortgage exposure, qualified revolving retail exposure and other retail exposure

Residential mortgage exposure

Millions of yen (except percentages)

Pool	As of September 30, 2020								As of September 30, 2019					
	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	Undrawn Amount	Commitment CCF	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	Undrawn Amount	Commitment CCF
Normal	0.22%	16.23%	7.47%	¥ 1,136,467	¥ 2,062	¥ -	-	0.22%	16.09%	7.33%	¥ 1,156,472	¥ 2,642	¥ -	-
Need caution	62.99%	19.83%	78.96%	2,332	37	-	-	63.33%	20.16%	78.56%	1,984	52	-	-
Default	100.00%	29.81%	57.88%	5,143	-	-	-	100.00%	37.92%	50.55%	3,318	14	-	-

Note: LGD is shown after credit risk mitigation

Qualified revolving retail exposure

Millions of yen (except percentages)

Pool	As of September 30, 2020								As of September 30, 2019					
	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	Undrawn Amount	Commitment CCF	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	Undrawn Amount	Commitment CCF
Normal	5.60%	73.74%	84.29%	¥ 506,357	¥ 137,658	¥ 3,591,425	3.83%	5.81%	75.36%	87.92%	¥ 541,253	¥ 150,016	¥ 3,646,556	4.11%
Need caution	81.53%	78.18%	113.97%	2,470	47	2,641	1.79%	80.03%	79.56%	121.56%	2,737	49	3,112	1.57%
Default	100.00%	67.89%	1.30%	59,778	-	-	-	100.00%	70.14%	-	63,685	-	-	-

Note: LGD is shown after credit risk mitigation

Other retail exposure

Millions of yen (except percentages)

Pool	As of September 30, 2020								As of September 30, 2019					
	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	Undrawn Amount	Commitment CCF	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	Undrawn Amount	Commitment CCF
Normal	3.03%	66.25%	87.10%	¥ 704,220	¥ 760,027	¥ 124,379	1.83%	3.25%	65.21%	86.77%	¥ 642,769	¥ 719,477	¥ 131,338	2.23%
Need caution	65.52%	57.42%	115.39%	3,869	2,026	413	2.44%	67.67%	58.44%	113.33%	4,852	2,940	573	3.33%
Default	100.00%	60.67%	0.71%	58,610	303	-	-	100.00%	60.64%	0.78%	54,769	543	-	-

Note: LGD is shown after credit risk mitigation

(8) COMPARATIVE RESULTS OF ACTUAL LOSSES AND EXPECTED LOSSES FOR THE LAST THREE YEARS UNDER F-IRB APPROACH

Corporate

Millions of yen

	12 months ended September 30, 2020	12 months ended September 30, 2019	12 months ended September 30, 2018
Results of actual losses (a)	¥ 4,106	¥ 2,467	¥ 5,202
Expected losses (b)	8,392	8,531	8,764
Differences ((b) - (a))	4,286	6,064	3,562

Sovereign

Millions of yen

	12 months ended September 30, 2020	12 months ended September 30, 2019	12 months ended September 30, 2018
Results of actual losses (a)	¥ -	¥ -	¥ -
Expected losses (b)	15	23	27
Differences ((b) - (a))	15	23	27

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)

Bank

	Millions of yen		
	12 months ended September 30, 2020	12 months ended September 30, 2019	12 months ended September 30, 2018
Results of actual losses (a)	¥ —	¥ —	¥ 70
Expected losses (b)	146	89	108
Differences ((b) - (a))	146	89	38

Residential mortgage exposure

	Millions of yen		
	12 months ended September 30, 2020	12 months ended September 30, 2019	12 months ended September 30, 2018
Results of actual losses (a)	¥ 449	¥ 280	¥ 227
Expected losses (b)	751	912	906
Differences ((b) - (a))	302	632	678

Qualified revolving retail exposure

	Millions of yen		
	12 months ended September 30, 2020	12 months ended September 30, 2019	12 months ended September 30, 2018
Results of actual losses (a)	¥ 20,363	¥ 21,797	¥ 24,534
Expected losses (b)	34,999	37,366	38,887
Differences ((b) - (a))	14,635	15,568	14,353

Other retail exposure

	Millions of yen		
	12 months ended September 30, 2020	12 months ended September 30, 2019	12 months ended September 30, 2018
Results of actual losses (a)	¥ 7,936	¥ 8,782	¥ 7,959
Expected losses (b)	27,520	26,972	23,237
Differences ((b) - (a))	19,583	18,190	15,278

[Analysis]

The result of actual losses for the term ended September 30, 2020 was decreased 0.4 billion compared with in the previous year. The principal reason was to be decreased actual losses for Qualified revolving retail exposures and Other retail exposures, although to be increased actual losses for Corporate exposures because of COVID-19.

The above matrix shows the results of default (downgrade below substandard) losses (increase of reserve, write-offs and loss on sale) for the twelve-month period ended September 30, 2018, 2019 and 2020 for the Bank Group's non-default exposures at the start of the twelve-month period, with expected losses.

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)**4. CREDIT RISK MITIGATION (CRM)****(1) COVERED AMOUNT OF CRM BY COLLATERAL**

FIRB

	Millions of yen			
	As of September 30, 2020		As of September 30, 2019	
	Eligible financial collateral	Other eligible FIRB collateral	Eligible financial collateral	Other eligible FIRB collateral
Corporate	¥ 4,061	¥ 219,674	¥ 3,761	¥ 225,437
Sovereign	—	—	—	—
Bank	—	517	900	830
Total	¥ 4,061	¥ 220,191	¥ 4,661	¥ 226,268

(2) COVERED AMOUNT OF CRM BY GUARANTEE OR CREDIT DERIVATIVES

IRB

	Millions of yen	
	As of September 30, 2020	As of September 30, 2019
	Corporate	¥ 3,167
Sovereign	496	1,111
Bank	—	—
Residential mortgages	—	—
Qualified revolving retail	—	—
Other retail	—	—
Total	¥ 3,664	¥ 1,399

5. COUNTERPARTY CREDIT RISK OF DERIVATIVES

	Millions of yen	
	As of September 30, 2020	As of September 30, 2019
	Total amount of gross positive fair value	¥ 224,790
Amount of gross add-on	134,261	136,833
EAD before CRM	359,052	383,815
FX-related	167,439	168,355
Interest-related	183,599	202,398
Equity-related	2,771	6,683
Commodity-related	—	—
Credit derivatives	5,115	6,277
Others	126	100
Amount of net	205,807	232,193
EAD after net	153,244	151,621
Amount covered collateral	—	—
EAD after CRM	153,244	151,621

Note: Current Exposure Method

• Notional amount of credit derivatives which have counterparty risk

	Millions of yen			
	As of September 30, 2020		As of September 30, 2019	
	Protection-buy	Protection-sell	Protection-buy	Protection-sell
Notional amount				
Single name	¥ 27,000	¥ 23,000	¥ 43,750	¥ 19,000
Multi name	10,000	10,000	13,000	13,000

Not applicable for the following items;

- Amount covered collateral
- Notional amount of credit derivatives which cover exposures by CRM

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)

6. SECURITIZATION

SECURITIZATION EXPOSURE ORIGINATED BY THE BANK GROUP (CREDIT RISK)

Not applicable

SECURITIZATION EXPOSURE IN WHICH THE BANK GROUP INVESTS

(1) Amount of securitization exposure the Bank Group has by type of original asset

Excluding resecuritization exposure

Type of original assets	Millions of yen	
	As of September 30, 2020	As of September 30, 2019
	Amount of Exposure	Amount of Exposure
Residential mortgages	¥ 21,290	¥ 25,437
Consumer loans	–	–
Commercial real estate loans	126,079	123,536
Corporate loans	61,022	62,198
Others	61,752	82,864
Total	¥ 270,143	¥ 294,037

※There is no resecuritization exposure.

(2) Amount of securitization exposure and required capital for the Bank Group has by risk weight ratio

Excluding resecuritization exposure

Band of risk weight ratio	Millions of yen			
	As of September 30, 2020		As of September 30, 2019	
	Amount	Required capital amount	Amount	Required capital amount
To 20%	¥ 75,122	¥ 1,154	¥ 90,920	¥ 1,412
Over 20% to 50%	20,548	749	17,965	631
Over 50% to 100%	57,855	3,396	67,307	3,939
Over 100% to 400%	65,840	13,489	85,194	20,387
Over 400% to 625%	50,775	25,186	30,169	14,901
Over 625% to 1,250%	–	–	2,480	2,048
Total	¥ 270,143	¥ 43,977	¥ 294,037	¥ 43,320

※There is no resecuritization exposure.

(3) Amount of securitization exposure applied risk weight 1,250%

Type of original assets	Millions of yen	
	As of September 30, 2020	As of September 30, 2019
	Amount	Amount
Residential mortgages	¥ –	¥ –
Consumer loans	–	–
Commercial real estate loans	–	–
Corporate loans	–	–
Others	–	–
Total	¥ –	¥ –

Not applicable for the following items;

- Credit risk mitigation for resecuritization exposure

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)**SECURITIZATION EXPOSURE IN WHICH THE BANK GROUP INVESTS (MARKET RISK)**

(1) Amount of securitization exposure the Bank Group has by type of original asset
Excluding resecuritization exposure

	Millions of yen	
	As of September 30, 2020	As of September 30, 2019
Type of original assets	Amount of Exposure	Amount of Exposure
Residential mortgages	¥ 79	¥ 1,961
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	—	—
Others	—	—
Total	¥ 79	¥ 1,961

※There is no resecuritization exposure.

(2) Amount of securitization exposure and required capital for the Bank Group has by risk weight ratio
Excluding resecuritization exposure

	Millions of yen			
	As of September 30, 2020		As of September 30, 2019	
Band of risk weight ratio	Amount	Required capital amount	Amount	Required capital amount
To 1.6%	¥ 79	¥ 1	¥ 1,961	¥ 31
Over 1.6% to 4%	—	—	—	—
Over 4% to 8%	—	—	—	—
Over 8% to 32%	—	—	—	—
Over 32% to 50%	—	—	—	—
Over 50% under 100%	—	—	—	—
Total	¥ 79	¥ 1	¥ 1,961	¥ 31

※There is no resecuritization exposure.

Not applicable for the following items;

- Amount of securitization exposure targeted for comprehensive risk
- Amount of securitization exposure applied Risk weight 1,250% under the Accord Article 302-2.2

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)

7. MARKET RISK (UNDER INTERNAL MODEL APPROACH)

(1) VAR AT THE END OF SEPTEMBER 2020 AND SEPTEMBER 2019 AND THE HIGH, MEAN AND LOW VAR

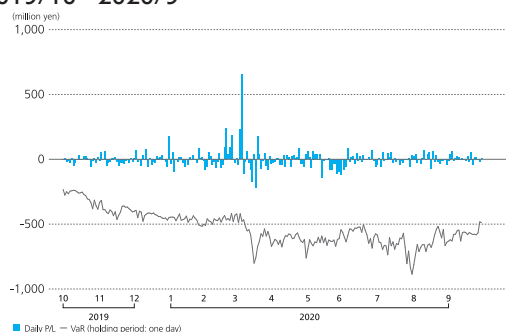
	Millions of yen	
	As of September 30, 2020	As of September 30, 2019
VaR at term end	¥ 1,544	¥ 852
VaR through this term		
High	2,802	1,166
Mean	1,669	903
Low	732	669

(2) STRESSED VAR AT THE END OF SEPTEMBER 2020 AND SEPTEMBER 2019 AND THE HIGH, MEAN AND LOW VAR

	Millions of yen	
	As of September 30, 2020	As of September 30, 2019
VaR at term end	¥ 2,609	¥ 2,825
VaR through this term		
High	4,977	4,570
Mean	3,440	3,043
Low	2,463	2,072

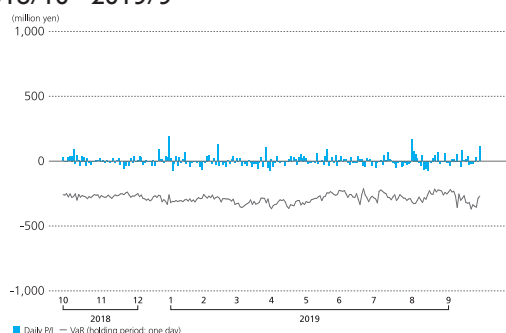
(3) RESULT OF BACK TESTING

2019/10~2020/9



The trading portfolio experienced no losses that exceeded the specified VaR threshold

2018/10~2019/9



The trading portfolio experienced no losses that exceeded the specified VaR threshold.

Not applicable for the following items;

- The amount of required capital related to additional risk and comprehensive risk as of the period-end, as well as the maximum, minimum and average values for the amount of required capital for additional risk and comprehensive risk during the disclosure period

Backtesting on the VaR Model

Applied to the Trading Account

Backtesting involves comparing fixed position virtual losses to estimated VaR to confirm the reliability of the VaR method.

Assumptions of Shinsei's VaR Model

Method : Historical simulation method

Confidence level : 99%

Holding period : 10days

Observation days : 250days

Coverage : Trading account

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)**8. EQUITY EXPOSURE IN BOOK****(1) BOOK VALUE AND FAIR VALUE**

	Millions of yen	
	As of September 30, 2020	As of September 30, 2019
Market-based approach		
Listed equity exposure	¥ 1,098	¥ 7,146
Unlisted equity exposure	17,339	10,145
PD/LGD method		
Listed equity exposure	4,996	6,936
Unlisted equity exposure	5,079	4,063

(2) GAIN OR LOSS ON SALE OR DEPRECIATION OF EQUITY EXPOSURE

	Millions of yen	
	Six months ended September 30, 2020	Six months ended September 30, 2019
Gain (loss) on sale	¥ 750	¥ 5,163
Loss of depreciation	201	670

(3) UNREALIZED GAIN OR LOSS WHICH IS RECOGNIZED ON BALANCE SHEET AND NOT RECOGNIZED ON PROFIT AND LOSS STATEMENT

	Millions of yen	
	As of September 30, 2020	As of September 30, 2019
Unrealized gain (loss)	¥ 5,183	¥ 5,758

(4) AMOUNT FOR EACH PORTFOLIO CLASSIFICATION OF EQUITY EXPOSURE

	Millions of yen	
	As of September 30, 2020	As of September 30, 2019
Market-based approach	¥ 18,438	¥ 17,292
PD/LGD Method	10,076	10,999
RW100% Applied	51	51
RW250% Applied	67,242	62,316

Not applicable for the following items:

- UNREALIZED GAIN OR LOSS WHICH IS NOT RECOGNIZED BOTH ON BALANCE SHEET AND ON PROFIT AND LOSS STATEMENT

9. EXPOSURE RELATING TO INVESTMENT FUNDS

The accord article 167 was amended on March 31, 2019.

Describe the present disclosure based on the "notice" and "notice of disclosure" after amended.

	Millions of yen	
	As of September 30, 2020	As of September 30, 2019
Look-through approach	¥ 5,392	¥ 3,496
Mandate-based approach	791	808
Probability-based approach (250%)	—	—
Probability-based approach (400%)	40,024	43,540
Fall-back approach	0	0
Total	¥ 46,209	¥ 47,846

Note: 1. "Look-through approach" requires a bank to risk weight the underlying exposures of a fund as if the exposures were held directly by the bank.

2. "Mandate-based approach" is a method of conservatively estimating the asset structure based on the fund management method.

3. "Probability-based approach (250%)" can be selected when each asset of fund will be highly probable that the risk weight is less than 250%.

4. "Probability-based approach (400%)" can be selected when each asset of fund will be highly probable that the risk weight is more than 250% and less than 400%.

5. "Fall-back approach" is required to apply if above approaches are not feasible.

QUANTITATIVE DISCLOSURE (CONSOLIDATED) (continued)
10. INTEREST RATE RISK

Decrease in economic values from interest-rate shock

Millions of yen

IRRBB1 : Interest rate risk		A		B		C		D	
No		ΔEVE		ΔNII					
		As of September 30, 2020	As of September 30, 2019	As of September 30, 2020	As of September 30, 2019				
1	Parallel shock up	42,668	68,457	16,730	–				
2	Parallel shock down	18,735	1,528	8,480	–				
3	Steeper shock	25,937	35,585						
4	Flattener shock	–	–						
5	Short rate up shock	–	–						
6	Short rate down shock	–	–						
7	Max	42,668	68,457	16,730	–				
		E		F					
		As of September 30, 2020		As of September 30, 2019					
8	Core capital	823,516		813,447					

Note: The “IRRBB1: Interest rate risk” column D above are not described due to the transitional arrangements of revised Accord for Disclosure .

COMPOSITION OF CAPITAL DISCLOSURE (NONCONSOLIDATED)

Shinsei Bank	Millions of yen (except percentages)	
	September 30, 2020 Basel III (Domestic Standard)	September 30, 2019 Basel III (Domestic Standard)
Items		
Core capital: instruments and reserves (1)		
Directly issued qualifying common share capital or preferred share capital with a compulsory conversion clause plus related capital surplus and retained earnings	¥ 857,903	¥ 872,910
of which: capital and capital surplus	591,670	591,670
of which: retained earnings	336,742	328,044
of which: treasury stock (-)	70,508	46,804
of which: earning to be distributed (-)	-	-
of which: other than above	-	-
Stock acquisition right to common shares and preferred shares with a compulsory conversion clause	101	76
Total of reserves included in Core capital: instruments and reserves	14	7
of which: general reserve for loan losses included in Core capital	14	7
of which: eligible provision included in Core capital	-	-
Eligible noncumulative perpetual preferred shares subject to transitional arrangements (amount allowed to be included in Core capital: instruments and reserves)	-	-
Eligible capital instruments subject to transitional arrangements (amount allowed to be included in Core capital: instruments and reserves)	-	-
Capital instruments issued through measures for capital enhancement by public institutions (amount allowed to be included in Core capital: instruments and reserves)	-	-
Land revaluation excess after 55% discount (amount allowed to be included in Core capital: instruments and reserves)	-	-
Core capital: instruments and reserves (A)	¥ 858,020	¥ 872,994
Core capital: regulatory adjustments (2)		
Total amount of intangible assets (excluding those relating to mortgage servicing rights)	¥ 17,296	¥ 17,704
of which: goodwill (including those equivalent)	454	620
of which: other intangibles other than goodwill and mortgage servicing rights	16,841	17,083
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	1,812	2,139
Shortfall of eligible provisions to expected losses	15,349	23,952
Gain on sale of securitization	-	-
Gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Prepaid pension cost	4,927	4,827
Investments in own shares (excluding those reported in the net assets section)	-	0
Reciprocal cross-holdings in common equity	-	-
Investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation ("Other Financial Institutions"), net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above the 10% threshold)	-	-
Amount exceeding the 10% threshold on specific items	-	-
of which: significant investments in the common stock of Other Financial Institutions, net of eligible short positions	-	-
of which: mortgage servicing rights	-	-
of which: deferred tax assets arising from temporary differences (net of related tax liability)	-	-
Amount exceeding the 15% threshold on specific items	-	-
of which: significant investments in the common stock of Other Financial Institutions, net of eligible short positions	-	-
of which: mortgage servicing rights	-	-
of which: deferred tax assets arising from temporary differences (net of related tax liability)	-	-
Core capital: regulatory adjustments (B)	¥ 39,386	¥ 48,624
Capital (nonconsolidated)		
Capital (nonconsolidated) ((A)-(B) (C))	¥ 818,634	¥ 824,369
Risk-weighted assets, etc.		
Total amount of credit risk-weighted assets	¥5,969,503	¥5,645,268
of which: total amount included in risk-weighted assets by transitional arrangements	-	-
of which: significant investments in the common stock of Other Financial Institutions (net of eligible short positions)	-	-
of which: other than above	-	-
Market risk (derived by multiplying the capital requirement by 12.5)	194,314	125,200
Operational risk (derived by multiplying the capital requirement by 12.5)	185,442	188,966
Credit risk-weighted assets adjustments	-	-
Operational risk adjustments	-	-
Total amount of Risk-weighted assets (D)	¥6,349,260	¥5,959,435
Capital ratio (nonconsolidated)		
Capital ratio (nonconsolidated) ((C)/(D))	12.89%	13.83%

Note: In the calculation of the nonconsolidated capital adequacy ratio as of Sep 30, 2019, parameter estimates applied to some exposures are adjusted for the fiscal year ending March 2019.

COMPOSITION OF CAPITAL DISCLOSURE (NONCONSOLIDATED) (continued)

Shinsei Bank	Millions of yen (except percentages)
Items	March 31, 2020 Basel III (Domestic Standard)
Core capital: instruments and reserves (1)	
Directly issued qualifying common share capital or preferred share capital with a compulsory conversion clause plus related capital surplus and retained earnings	¥ 866,795
of which: capital and capital surplus	591,670
of which: retained earnings	338,529
of which: treasury stock (-)	61,097
of which: earning to be distributed (-)	2,307
of which: other than above	-
Stock acquisition right to common shares and preferred shares with a compulsory conversion clause	76
Total of reserves included in Core capital: instruments and reserves	12
of which: general reserve for loan losses included in Core capital	12
of which: eligible provision included in Core capital	-
Eligible noncumulative perpetual preferred shares subject to transitional arrangements (amount allowed to be included in Core capital: instruments and reserves)	-
Eligible capital instruments subject to transitional arrangements (amount allowed to be included in Core capital: instruments and reserves)	-
Capital instruments issued through measures for capital enhancement by public institutions (amount allowed to be included in Core capital: instruments and reserves)	-
Land revaluation excess after 55% discount (amount allowed to be included in Core capital: instruments and reserves)	-
Core capital: instruments and reserves (A)	¥ 866,884
Core capital: regulatory adjustments (2)	
Total amount of intangible assets (excluding those relating to mortgage servicing rights)	¥ 17,948
of which: goodwill (including those equivalent)	537
of which: other intangibles other than goodwill and mortgage servicing rights	17,410
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	3,055
Shortfall of eligible provisions to expected losses	16,527
Gain on sale of securitization	-
Gains and losses due to changes in own credit risk on fair valued liabilities	-
Prepaid pension cost	4,815
Investments in own shares (excluding those reported in the net assets section)	-
Reciprocal cross-holdings in common equity	-
Investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation ("Other Financial Institutions"), net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above the 10% threshold)	-
Amount exceeding the 10% threshold on specific items	-
of which: significant investments in the common stock of Other Financial Institutions, net of eligible short positions	-
of which: mortgage servicing rights	-
of which: deferred tax assets arising from temporary differences (net of related tax liability)	-
Amount exceeding the 15% threshold on specific items	-
of which: significant investments in the common stock of Other Financial Institutions, net of eligible short positions	-
of which: mortgage servicing rights	-
of which: deferred tax assets arising from temporary differences (net of related tax liability)	-
Core capital: regulatory adjustments (B)	¥ 42,345
Capital (nonconsolidated)	
Capital (nonconsolidated) ((A)-(B)) (C)	¥ 824,538
Risk-weighted assets, etc.	
Total amount of credit risk-weighted assets	¥5,779,417
of which: total amount included in risk-weighted assets by transitional arrangements	-
of which: significant investments in the common stock of Other Financial Institutions (net of eligible short positions)	-
of which: other than above	-
Market risk (derived by multiplying the capital requirement by 12.5)	196,496
Operational risk (derived by multiplying the capital requirement by 12.5)	192,552
Credit risk-weighted assets adjustments	-
Operational risk adjustments	-
Total amount of Risk-weighted assets (D)	¥6,168,466
Capital ratio (nonconsolidated)	
Capital ratio (nonconsolidated) ((C)/(D))	13.36%

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED)

1. CAPITAL ADEQUACY

(1) AMOUNT OF REQUIRED CAPITAL FOR CREDIT RISK

Portfolios under the Standardized Approach (SA)

	Millions of yen	
	As of September 30, 2020	As of September 30, 2019
	Required capital amount	Required capital amount
Shinsei Bank	¥ 324	¥ 397

Portfolios under the Internal Ratings-Based Approach (IRB)

	Millions of yen	
	As of September 30, 2020	As of September 30, 2019
	Required capital amount	Required capital amount
Corporate (Excluding Specialized Lending) ¹	¥ 145,182	¥ 130,692
Specialized Lending ²	110,282	94,222
Sovereign	4,233	5,756
Bank	11,814	13,874
Residential mortgages	9,625	9,067
Qualified revolving retails	34,225	42,726
Other retails	184	1
Equity	118,289	106,982
Fund	13,448	13,447
Securitization	45,302	46,935
Purchase receivables	21,657	21,383
Other assets	1,228	1,179
CVA risk	13,817	11,905
CCP risk	97	97
Total	¥ 529,390	¥ 498,272

Note:1."Corporate" includes "Small and Medium-sized Entities."

2."Specialized Lending" refers to a claim whose source of recovery is solely dependent on the cash flow generated from a transaction such as a real estate nonrecourse loan.

(2) AMOUNT OF REQUIRED CAPITAL FOR EQUITY EXPOSURE UNDER IRB

	Millions of yen	
	As of September 30, 2020	As of September 30, 2019
	Required capital amount	Required capital amount
Market-Based Approach Simplified Method	¥ 11,455	¥ 13,535
PD/LGD Method	105,611	92,332
RW100% Applied	4	4
RW250% Applied	1,217	1,110
Total	¥ 118,289	¥ 106,982

(3) EXPOSURE RELATING TO INVESTMENT FUNDS

	Millions of yen	
	As of September 30, 2020	As of September 30, 2019
	Required capital amount	Required capital amount
Look-through approach	¥ 1,678	¥ 1,127
Mandated-based approach	335	342
Probability-based approach [250%]	—	—
Probability-based approach [400%]	11,434	11,977
Fall-back approach [1,250%]	—	—
Total	¥ 13,448	¥ 13,447

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)**(4) AMOUNT OF REQUIRED CAPITAL FOR MARKET RISK**

	Millions of yen	
	As of September 30, 2020	As of September 30, 2019
	Required capital amount	Required capital amount
The Standardized Approach	¥ 257	¥ 232
Interest rate risk	–	0
Equity position risk	2	12
FX risk	255	219
Securitization risk	–	–
The Internal Models Approach (IMA) (General Market Risk)	¥ 15,287	¥ 9,783

(5) AMOUNT OF REQUIRED CAPITAL FOR OPERATIONAL RISK

	Millions of yen	
	As of September 30, 2020	As of September 30, 2019
	Required capital amount	Required capital amount
The Standardized Approach	¥ 14,835	¥ 15,117

(6) TOTAL REQUIRED CAPITAL (DOMESTIC STANDARD)

	Millions of yen	
	As of September 30, 2020	As of September 30, 2019
Total Required Capital (Risk-weighted Assets x 4%)	¥ 253,970	¥ 238,377

2. CREDIT RISK EXPOSURE (EXCLUDING SECURITIZATION AND EXPOSURES RELATING TO INVESTMENT FUNDS)**(1) AMOUNT OF CREDIT RISK EXPOSURE**

Geographic, Industries or Maturity

	Millions of yen							
	As of September 30, 2020				As of September 30, 2019			
	Amount of Credit Risk Exposure				Amount of Credit Risk Exposure			
	Total	Loans, etc. ¹	Securities ²	Derivatives ³	Total	Loans, etc. ¹	Securities ²	Derivatives ³
Manufacturing	¥ 281,392	¥ 259,596	¥ –	¥ 21,796	¥ 256,805	¥ 233,558	¥ –	¥ 23,247
Agriculture	–	–	–	–	100	100	–	–
Mining	804	802	–	1	856	855	–	1
Construction	34,168	33,968	200	–	24,941	24,733	200	7
Electric power, gas, water supply	508,067	478,653	–	29,413	406,244	383,912	–	22,332
Information and communication	34,140	34,140	–	0	36,959	36,958	–	1
Transportation	136,000	135,634	–	365	178,592	178,225	–	366
Wholesale and retail	120,232	107,254	100	12,878	131,394	117,438	100	13,856
Finance and insurance	2,693,446	2,443,264	228,350	21,831	2,185,292	1,983,563	179,515	22,213
Real estate	770,627	660,736	108,117	1,773	766,228	640,211	123,447	2,569
Services	438,254	436,495	900	858	410,499	408,945	750	803
Government	363,970	54,021	309,949	–	509,296	65,883	443,412	–
Individuals	1,391,371	1,391,129	–	241	1,445,402	1,445,084	–	317
Others	531	531	–	–	628	628	–	–
Domestic Total	6,773,008	6,036,229	647,617	89,161	6,353,242	5,520,100	747,425	85,716
Foreign	1,000,089	795,555	141,561	62,973	901,772	648,035	190,069	63,667
Total	¥ 7,773,098	¥ 6,831,784	¥ 789,178	¥ 152,135	¥ 7,255,015	¥ 6,168,136	¥ 937,495	¥ 149,383
To 1 year	1,742,204	1,579,610	147,555	15,039	1,550,033	1,383,654	150,506	15,872
1 to 3 years	1,119,979	930,602	167,347	22,029	1,236,634	937,877	277,992	20,764
3 to 5 years	936,554	734,137	178,284	24,132	798,694	612,912	162,700	23,080
Over 5 years	2,342,970	1,957,549	294,488	90,932	2,361,193	1,926,735	344,793	89,665
Undated	1,631,387	1,629,886	1,501	–	1,308,458	1,306,956	1,501	–
Total	¥ 7,773,098	¥ 6,831,784	¥ 789,178	¥ 152,135	¥ 7,255,015	¥ 6,168,136	¥ 937,495	¥ 149,383

Note:1 Excluding purchased receivables.

2 Excluding equity exposures.

3 Credit equivalent amount basis.

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)**(2) AMOUNT OF DEFAULT EXPOSURE BEFORE PARTIAL WRITE-OFF**

Geographic, Industries

	Millions of yen	
	As of September 30, 2020	As of September 30, 2019
	Default Exposure	Default Exposure
Manufacturing	¥ 88	¥ 3,730
Agriculture	—	—
Mining	—	—
Construction	200	—
Electric power, gas, water supply	5,548	6,422
Information and communication	122	591
Transportation	195	44
Wholesale and retail	3,766	574
Finance and insurance	0	184
Real estate	10,591	4,179
Services	3,965	2,267
Government	—	—
Individuals	5,187	3,373
Others	—	—
Domestic Total	29,667	21,368
Foreign	3,244	3,598
Total	¥ 32,912	¥ 24,966

Note: Excluding purchased receivables.

(3) AMOUNT OF LOAN LOSS RESERVES (GENERAL, SPECIFIC AND COUNTRY RISK) BEFORE PARTIAL WRITE-OFF

	Millions of yen					
	As of September 30, 2020			As of September 30, 2019		
	Start Amount	Change Amount	End Amount	Start Amount	Change Amount	End Amount
General	¥ 23,494	¥ 87	¥ 23,582	¥ 21,292	¥ (2,084)	¥ 19,208
Specific	12,634	6,132	18,767	7,198	4,405	11,604
Country	—	—	—	—	—	—
Total	¥ 36,129	¥ 6,220	¥ 42,350	¥ 28,490	¥ 2,321	¥ 30,812

Geographic

	Millions of yen							
	As of September 30, 2020				As of September 30, 2019			
	Total	General	Specific	Country	Total	General	Specific	Country
Domestic	¥ 35,872	¥ 18,853	¥ 17,018	¥ —	¥ 25,334	¥ 15,452	¥ 9,882	¥ —
Foreign	6,477	4,728	1,749	—	5,477	3,755	1,722	—
Total	¥ 42,350	¥ 23,582	¥ 18,767	¥ —	¥ 30,812	¥ 19,208	¥ 11,604	¥ —

Industries

	Millions of yen	
	As of September 30, 2020	As of September 30, 2019
	Reserve Amount	Reserve Amount
Manufacturing	¥ 1,290	¥ 1,892
Agriculture	—	1
Mining	6	7
Construction	204	57
Electric power, gas, water supply	8,233	5,848
Information and communication	389	827
Transportation	3,189	662
Wholesale and retail	3,827	1,365
Finance and insurance	2,216	3,076
Real estate	7,873	4,465
Services	5,792	4,438
Government	—	—
Individuals	2,846	2,688
Others	0	0
Foreign	6,477	5,477
Non-classified	—	—
Total	¥ 42,350	¥ 30,812

Note: Although the specific allowance for credit losses does not include the allowance relating to any securitization exposures and exposures relating to funds, the allowance relating to these exposures is not excluded from both the general allowance for credit losses and the allowance for loans to specific foreign borrowers, because we do not manage provisioning with respect to each asset class based on Basel III.

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)**(4) AMOUNT OF WRITE-OFFS**

Industries

	Millions of yen	
	Six months ended September 30, 2020	Six months ended September 30, 2019
	Amount of write-off	Amount of write-off
Manufacturing	¥ 95	¥ -
Agriculture	-	-
Mining	-	-
Construction	0	-
Electric power, gas, water supply	-	-
Information and communication	-	-
Transportation	0	-
Wholesale and retail	65	-
Finance and insurance	-	-
Real estate	-	-
Services	-	-
Government	-	-
Individuals	1	81
Others	-	-
Foreign	-	-
Non-classified	-	-
Total	¥ 162	¥ 81

(5) AMOUNT OF EXPOSURES UNDER SA (AFTER CREDIT RISK MITIGATION)

	Millions of yen			
	As of September 30, 2020		As of September 30, 2019	
	Rated	Unrated	Rated	Unrated
0%	¥ -	¥ -	¥ -	¥ -
10%	-	-	-	-
20%	-	-	-	-
35%	-	2,700	-	1,688
50%	-	-	-	-
75%	-	4,009	-	5,794
100%	-	101	-	28
150%	-	-	-	-
350%	-	-	-	-
1,250%	-	-	-	-
Total	¥ -	¥ 6,811	¥ -	¥ 7,511

(6) SPECIALIZED LENDING EXPOSURE UNDER SLOTTING CRITERIA AND EQUITY EXPOSURE UNDER MARKET-BASED SIMPLIFIED METHOD

Specialized lending excluding high-volatility commercial real estate

	Millions of yen	
	As of September 30, 2020	As of September 30, 2019
	Amount of Exposure	Amount of Exposure
Risk weight ratio		
50%	¥ 140,150	¥ 166,106
70%	607,576	500,325
90%	163,234	128,931
115%	50,453	76,803
250%	72,646	17,499
0% (Default)	12,769	6,982
Total	¥ 1,046,831	¥ 896,649

Specialized lending for high-volatility commercial real estate

	Millions of yen	
	As of September 30, 2020	As of September 30, 2019
	Amount of Exposure	Amount of Exposure
Risk weight ratio		
70%	¥ 3,400	¥ 12,499
95%	21,542	41,959
120%	24,516	25,036
140%	53,952	21,538
250%	13,559	49,220
0% (Default)	3,288	3,689
Total	¥ 120,259	¥ 153,944

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)

Equity exposure under Market-Based Simplified Method

	Millions of yen	
	As of September 30, 2020	As of September 30, 2019
Risk weight ratio	Amount of Exposure	Amount of Exposure
300%	¥ 930	¥ 6,689
400%	33,075	34,886
Total	¥ 34,006	¥ 41,576

(7) PORTFOLIOS UNDER IRB EXCLUDING THE AMOUNT OF EXPOSURES UNDER SA (AFTER CREDIT RISK MITIGATION)

- Estimated average PD, LGD, Risk Weight Ratio and Exposure at Default (EAD) (on-balance and off-balance) for Corporate, Sovereign and Bank exposure

Corporate

Credit Rating	As of September 30, 2020					As of September 30, 2019				
	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)
0-4	0.14%	44.91%	37.74%	¥ 1,928,174	¥ 246,731	0.13%	44.83%	36.47%	¥ 1,661,115	¥ 193,170
5-6	1.42%	43.94%	92.19%	585,914	87,730	1.44%	43.81%	94.10%	608,451	80,081
9A	9.56%	43.03%	177.31%	55,564	7,528	9.34%	44.47%	181.52%	32,693	5,926
Default	100.00%	44.80%	-	11,199	484	100.00%	53.65%	-	9,395	674

Note: LGD is shown after credit risk mitigation

Sovereign

Credit Rating	As of September 30, 2020					As of September 30, 2019				
	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)
0-4	0.00%	45.00%	2.39%	¥ 2,054,779	¥ 3,870	0.00%	45.00%	3.41%	¥ 1,963,954	¥ 2,763
5-6	-	-	-	-	-	0.50%	45.00%	52.16%	0	-
9A	-	-	-	-	-	-	-	-	-	-
Default	100.00%	45.00%	-	10	-	100.00%	45.00%	-	10	-

Note: LGD is shown after credit risk mitigation

Bank

Credit Rating	As of September 30, 2020					As of September 30, 2019				
	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)
0-4	0.06%	44.98%	40.35%	¥ 126,183	¥ 79,469	0.07%	44.97%	42.36%	¥ 119,368	¥ 84,478
5-6	1.13%	45.00%	105.96%	34,956	650	0.85%	45.00%	100.10%	23,934	1,581
9A	9.56%	45.00%	234.68%	5,387	118	9.34%	43.23%	164.20%	1,186	21,825
Default	100.00%	45.00%	-	0	-	100.00%	45.00%	-	184	-

Note: LGD is shown after credit risk mitigation

- Estimated average PD, risk weight ratio and amount of exposure for equity exposure under PD/LGD method

Credit Rating	As of September 30, 2020				As of September 30, 2019			
	PD	LGD	Risk Weight	Amount	PD	LGD	Risk Weight	Amount
0-4	0.14%	90.00%	298.94%	¥ 400,124	0.16%	90.00%	300.68%	¥ 352,506
5-6	1.14%	90.00%	361.16%	10,799	1.08%	90.00%	327.48%	8,640
9A	9.56%	90.00%	693.76%	1,479	9.34%	90.00%	756.90%	80
Default	100.00%	90.00%	1,125.00%	0	100.00%	90.00%	1,125.00%	0

- Estimated average PD, LGD, risk weight ratio, Exposure at Default (EAD) (on- and off-balance), amount of undrawn commitments and estimated average Credit Conversion Factors (CCF) of undrawn commitments for residential mortgage exposure, qualified revolving retail exposure and other retail exposure

Residential mortgage exposure

Pool	As of September 30, 2020						As of September 30, 2019							
	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	Undrawn Amount	Commitment CCF	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	Undrawn Amount	Commitment CCF
Normal	0.22%	16.09%	7.24%	¥ 1,135,075	¥ -	¥ -	-	0.21%	15.90%	7.03%	¥ 1,154,596	¥ -	¥ -	-
Need caution	62.74%	19.38%	78.30%	2,331	-	-	-	62.74%	19.41%	78.42%	1,982	-	-	-
Default	100.00%	29.51%	58.70%	5,061	-	-	-	100.00%	37.52%	52.31%	3,221	-	-	-

Note: LGD is shown after credit risk mitigation

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)

Qualified revolving retail exposure

Millions of yen (except percentages)

Pool	As of September 30, 2020							As of September 30, 2019						
	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	Undrawn Amount	Commitment CCF	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	Undrawn Amount	Commitment CCF
Normal	7.06%	78.00%	104.57%	¥ 218,879	¥ 15,150	¥ 425,340	3.56%	7.52%	80.40%	111.81%	¥ 252,998	¥ 17,072	¥ 448,312	3.80%
Need caution	84.65%	78.00%	103.71%	619	19	652	3.03%	85.24%	80.40%	103.47%	842	27	884	3.06%
Default	100.00%	78.00%	-	126	-	-	-	100.00%	80.40%	-	132	-	-	-

Note: LGD is shown after credit risk mitigation

Other retail exposure

Millions of yen (except percentages)

Pool	As of September 30, 2020							As of September 30, 2019						
	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	Undrawn Amount	Commitment CCF	PD	LGD	Risk Weight	EAD (On-balance)	EAD (Off-balance)	Undrawn Amount	Commitment CCF
Normal	4.11%	78.95%	78.63%	¥ 1,801	¥ 37	¥ 1,802	2.08%	0.25%	14.84%	7.04%	¥ 214	¥ -	¥ -	-
Need caution	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Default	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Note: LGD is shown after credit risk mitigation

(8) COMPARATIVE RESULTS OF ACTUAL LOSSES AND EXPECTED LOSSES FOR THE LAST THREE YEARS UNDER F-IRB APPROACH

Corporate

	Millions of yen		
	12 months ended September 30, 2020	12 months ended September 30, 2019	12 months ended September 30, 2018
Results of actual losses (a)	¥ 3,583	¥ 2,022	¥ 2,470
Expected losses (b)	6,158	7,223	6,047
Differences ((b) - (a))	2,575	5,201	3,577

Sovereign

	Millions of yen		
	12 months ended September 30, 2020	12 months ended September 30, 2019	12 months ended September 30, 2018
Results of actual losses (a)	¥ -	¥ -	¥ -
Expected losses (b)	14	22	27
Differences ((b) - (a))	14	22	27

Bank

	Millions of yen		
	12 months ended September 30, 2020	12 months ended September 30, 2019	12 months ended September 30, 2018
Results of actual losses (a)	¥ -	¥ -	¥ 70
Expected losses (b)	146	198	108
Differences ((b) - (a))	146	198	38

Residential mortgage exposure

	Millions of yen		
	12 months ended September 30, 2020	12 months ended September 30, 2019	12 months ended September 30, 2018
Results of actual losses (a)	¥ 432	¥ 273	¥ 225
Expected losses (b)	696	838	830
Differences ((b) - (a))	264	564	605

Qualified revolving retail exposure

	Millions of yen		
	12 months ended September 30, 2020	12 months ended September 30, 2019	12 months ended September 30, 2018
Results of actual losses (a)	¥ 9,670	¥ 12,713	¥ 14,761
Expected losses (b)	16,039	19,347	23,050
Differences ((b) - (a))	6,369	6,634	8,288

[Analysis]

The result of actual losses for the term ended September 30, 2020 was decreased 1.3 billion compared with in the previous year. The principal reason was to be decreased actual losses for Qualified revolving retail exposures, although to be increased actual losses for Corporate exposures because of COVID-19.

The above matrix shows the results of default (downgrade below substandard) losses (increase of reserve, write-offs and loss on sale) for the twelve-month period ended September 30, 2018, 2019 and 2020 for the Bank's non-default exposures at the start of the twelve-month period, with expected losses.

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)**3. CREDIT RISK MITIGATION (CRM)****(1) COVERED AMOUNT OF CRM BY COLLATERAL**

FIRB

	Millions of yen			
	As of September 30, 2020		As of September 30, 2019	
	Eligible financial collateral	Other eligible FIRB collateral	Eligible financial collateral	Other eligible FIRB collateral
Corporate	¥ 4,061	¥ 221,282	¥ 3,761	¥ 227,514
Sovereign	—	—	—	—
Bank	—	517	900	830
Total	¥ 4,061	¥ 221,799	¥ 4,661	¥ 228,344

(2) COVERED AMOUNT OF CRM BY GUARANTEE OR CREDIT DERIVATIVES

IRB

	Millions of yen	
	As of September 30, 2020	As of September 30, 2019
	Corporate	¥ 3,167
Sovereign	496	1,111
Bank	—	—
Residential mortgages	—	—
Qualified revolving retail	—	—
Other retail	—	—
Total	¥ 3,664	¥ 1,399

4. COUNTERPARTY CREDIT RISK OF DERIVATIVES

	Millions of yen	
	As of September 30, 2020	As of September 30, 2019
	Total amount of gross positive fair value	¥ 224,546
Amount of gross add-on	134,059	135,782
EAD before CRM	358,605	381,686
FX-related	168,447	168,616
Interest-related	182,699	201,786
Equity-related	2,874	6,821
Commodity-related	—	—
Credit derivatives	4,457	4,360
Others	126	100
Amount of net	206,470	232,302
EAD after net	152,135	149,383
Amount covered collateral	—	—
EAD after CRM	¥ 152,135	¥ 149,383

Note: Current Exposure Method

• Notional amount of credit derivatives which have counterparty risk

	Millions of yen			
	As of September 30, 2020		As of September 30, 2019	
	Protection-buy	Protection-sell	Protection-buy	Protection-sell
Notional amount				
Single name	¥ 23,000	¥ 23,000	¥ 19,750	¥ 19,000
Multi name	10,000	10,000	13,000	13,000

Not applicable for the following items;

- Amount covered collateral
- Notional amount of credit derivatives which cover exposures by CRM

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)

5. SECURITIZATION

SECURITIZATION EXPOSURE ORIGINATED BY THE BANK (CREDIT RISK)

Not applicable

SECURITIZATION EXPOSURE IN WHICH THE BANK INVESTS

(1) Amount of securitization exposure the Bank has by type of original asset

Excluding resecuritization exposure

Type of original assets	Millions of yen	
	As of September 30, 2020	As of September 30, 2019
	Amount of Exposure	Amount of Exposure
Residential mortgages	¥ 21,290	¥ 25,437
Consumer loans	—	—
Commercial real estate loans	126,079	123,536
Corporate loans	61,022	62,198
Others	107,288	308,401
Total	¥ 315,679	¥ 519,573

※There is no resecuritization exposure.

(2) Amount of securitization exposure and required capital for the Bank by risk weight ratio

Excluding resecuritization exposure

Band of risk weight ratio	Millions of yen			
	As of September 30, 2020		As of September 30, 2019	
	Amount	Required capital amount	Amount	Required capital amount
To 20%	¥ 95,658	¥ 1,479	¥ 289,456	¥ 3,948
Over 20% to 50%	45,548	1,749	44,965	1,711
Over 50% to 100%	57,855	3,396	67,307	3,939
Over 100% to 400%	65,840	13,489	85,194	20,387
Over 400% to 625%	50,775	25,186	30,169	14,901
Over 625% under 1,250%	—	—	2,480	2,048
Total	¥ 315,679	¥ 45,302	¥ 519,573	¥ 46,935

※There is no resecuritization exposure.

(3) Amount of securitization exposure applied risk weight 1,250%

Type of original assets	Millions of yen	
	As of September 30, 2020	As of September 30, 2019
	Amount	Amount
Residential mortgages	¥ —	¥ —
Consumer loans	—	—
Commercial real estate loans	—	—
Corporate loans	—	—
Others	—	—
Total	¥ —	¥ —

Not applicable for the following items;

- Credit risk mitigation for resecuritization exposure

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)

6. MARKET RISK (UNDER INTERNAL MODEL APPROACH)

(1) VAR AT THE END OF SEPTEMBER 2020 AND SEPTEMBER 2019 AND THE HIGH, MEAN AND LOW VAR

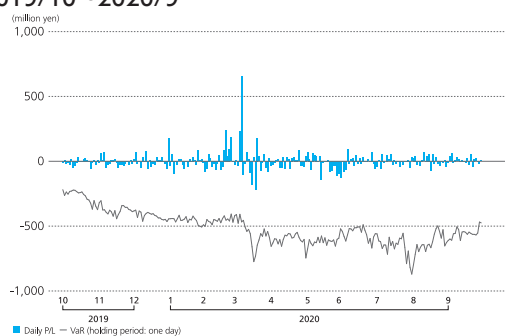
	Millions of yen	
	As of September 30, 2020	As of September 30, 2019
VaR at term end	¥ 1,502	¥ 813
VaR through this term		
High	2,751	1,128
Mean	1,620	856
Low	691	630

(2) STRESSED VAR AT THE END OF SEPTEMBER 2020 AND SEPTEMBER 2019 AND THE HIGH, MEAN AND LOW VAR

	Millions of yen	
	As of September 30, 2020	As of September 30, 2019
VaR at term end	¥ 2,522	¥ 2,679
VaR through this term		
High	4,920	4,438
Mean	3,331	2,893
Low	2,312	1,924

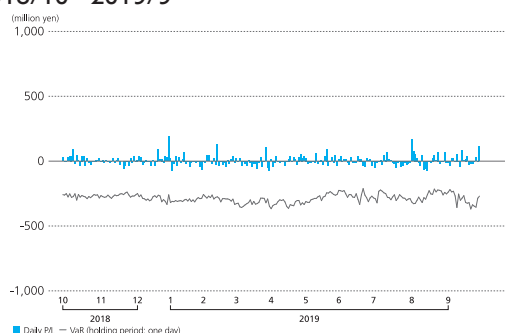
(3) RESULT OF BACK TESTING

2019/10~2020/9



The trading portfolio experienced no losses that exceeded the specified VaR threshold

2018/10~2019/9



The trading portfolio experienced no losses that exceeded the specified VaR threshold

Not applicable for the following items;

- The amount of required capital related to additional risk and comprehensive risk as of the period-end, as well as the maximum, minimum and average values for the amount of required capital for additional risk and comprehensive risk during the disclosure period

Backtesting on the VaR Model Applied to the Trading Account

Backtesting involves comparing fixed position virtual losses to estimated VaR to confirm the reliability of the VaR method.

Assumptions of Shinsei's VaR Model

Method : Historical simulation method

Confidence level : 99%

Holding period : 10days

Observation days : 250days

Coverage : Trading account

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)**7. EQUITY EXPOSURE IN BOOK****(1) BOOK VALUE AND FAIR VALUE**

	Millions of yen	
	As of September 30, 2020	As of September 30, 2019
Market-based approach		
Listed equity exposure	¥ 930	¥ 6,689
Unlisted equity exposure	33,075	34,886
PD/LGD method		
Listed equity exposure	3,843	5,710
Unlisted equity exposure	408,559	355,517

(2) GAIN OR LOSS ON SALE OR DEPRECIATION OF EQUITY EXPOSURE

	Millions of yen	
	Six months ended September 30, 2020	Six months ended September 30, 2019
Gain (loss) on sale	¥ 109	¥ 3,297
Loss of depreciation	1,319	650

(3) UNREALIZED GAIN OR LOSS WHICH IS RECOGNIZED ON BALANCE SHEET AND NOT RECOGNIZED ON PROFIT AND LOSS STATEMENT

	Millions of yen	
	As of September 30, 2020	As of September 30, 2019
Unrealized gain (loss)	¥ 3,215	¥ 4,016

(4) AMOUNT FOR EACH PORTFOLIO CLASSIFICATION OF EQUITY EXPOSURE

	Millions of yen	
	As of September 30, 2020	As of September 30, 2019
Market-based approach	¥ 34,006	¥ 41,576
PD/LGD Method	412,403	361,227
RW100% Applied	51	51
RW250% Applied	5,744	5,238

Not applicable for the following items;

- UNREALIZED GAIN OR LOSS WHICH IS NOT RECOGNIZED BOTH ON BALANCE SHEET AND ON PROFIT AND LOSS STATEMENT

8. EXPOSURE RELATING TO INVESTMENT FUNDS

The accord article 167 was amended on march 31, 2019.
Describe the present disclosure based on the "notice" and "notice of disclosure" after amended.

	Millions of yen	
	As of September 30, 2020	As of September 30, 2019
Look-through approach	¥ 4,950	¥ 3,045
Mandate-based approach	791	808
Probability-based approach (250%)	—	—
Probability-based approach (400%)	33,709	35,309
Fall-back approach	—	—
Total	¥ 39,452	¥ 39,163

Note: 1. "Look-through approach" requires a bank to risk weight the underlying exposures of a fund as if the exposures were held directly by the bank.

2. "Mandate-based approach" is a method of conservatively estimating the asset structure based on the fund management method.

3. "Probability-based approach (250%)" can be selected when each asset of fund will be highly probable that the risk weight is less than 250%.

4. "Probability-based approach (400%)" can be selected when each asset of fund will be highly probable that the risk weight is more than 250% and less than 400%.

5. "Fall-back approach" is required to apply if above approaches are not feasible.

QUANTITATIVE DISCLOSURE (NONCONSOLIDATED) (continued)
9. INTEREST RATE RISK

Decrease in economic values from interest-rate shock

Millions of yen

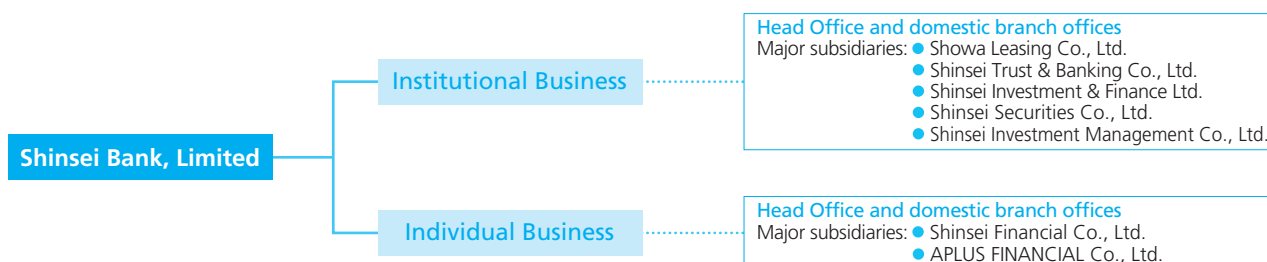
IRRBB1 : Interest rate risk					
No		A	B	C	D
		ΔEVE		ΔNII	
		As of September 30, 2020	As of September 30, 2019	As of September 30, 2020	As of September 30, 2019
1	Parallel shock up	9,224	42,797	12,505	–
2	Parallel shock down	50,327	19,858	10,176	–
3	Steeper shock	14,859	28,016		
4	Flattener shock	–	–		
5	Short rate up shock	–	–		
6	Short rate down shock	–	–		
7	Max	50,327	42,797	12,505	–
		E		F	
		As of September 30, 2020		As of September 30, 2019	
8	Core capital	818,634		824,369	

Note: The "IRRBB1: Interest rate risk" column D above are not described due to the transitional arrangements of revised Accord for Disclosure .

Corporate Information

As of September 30, 2020, the Shinsei Bank Group consisted of Shinsei Bank, Limited, 180 subsidiaries (comprising 93 consolidated companies including APLUS FINANCIAL Co., Ltd., Showa Leasing Co., Ltd., Shinsei Financial Co., Ltd. and Shinsei Investment & Finance Limited and 87 unconsolidated subsidiaries) and 42 affiliated companies (42 affiliated companies accounted for using the equity method, such as Jih Sun Financial Holding Co., Ltd.).

The Shinsei Bank Group provides a wide variety of financial products and services to institutional and individual customers through “Institutional Business” and “Individual Business.”



Major Subsidiaries and Affiliates

Name	Location	Main business
Major Domestic Subsidiaries		
Showa Leasing Co., Ltd.	Tokyo, Japan	Leasing ¹
SHINKO LEASE CO., LTD.	Hyogo, Japan	Leasing ¹
Shinsei Trust & Banking Co., Ltd.	Tokyo, Japan	Trust banking ¹
Shinsei Securities Co., Ltd.	Tokyo, Japan	Securities ¹
Shinsei Investment Management Co., Ltd.	Tokyo, Japan	Investment trust and discretionary investment advising ¹
Shinsei Investment & Finance Limited	Tokyo, Japan	Financial instruments business ¹
Shinsei Corporate Investment Limited	Tokyo, Japan	Investment ¹
APLUS FINANCIAL Co., Ltd.	Osaka, Japan	Holding company ²
APLUS Co., Ltd.	Osaka, Japan	Installment credit ²
APLUS Personal Loan Co., Ltd.	Osaka, Japan	Finance ²
Zen-Nichi Shinpan Co., Ltd.	Okayama, Japan	Installment credit ²
Shinsei Financial Co., Ltd.	Tokyo, Japan	Finance ²
Shinsei Personal Loan Co., Ltd.	Tokyo, Japan	Financing for individuals and small businesses ²
Shinsei Business Services Co., Ltd.	Tokyo, Japan	Outsourcing services ³
Alpha Servicer Co., Ltd.	Tokyo, Japan	Servicing business ²
Financial Japan Co., Ltd.	Tokyo, Japan	Insurance business ²
Major Overseas Subsidiaries		
Shinsei International Limited	London, UK	Securities ¹
OJBC Co. Ltd.	Tortola, British Virgin Islands	Financial holding company ²
Nippon Wealth Limited	Kowloon, Hong Kong	Investment trust and discretionary investment advising ²
EasyLend Finance Company Limited	Kowloon, Hong Kong	Finance ²
UDC Finance Limited	Auckland, New Zealand	Finance ³
Major Affiliates Accounted for Using the Equity Method		
Jih Sun Financial Holding Co., Ltd.	Taipei, Taiwan	Financial holding company ¹
Nissen Credit Service Co., Ltd.	Kyoto, Japan	Credit card ²
MB Shinsei Finance Limited Liability Company	Hanoi, Vietnam	Finance ²

¹ Institutional Business

² Individual Business

³ Corporate / Other

Employees

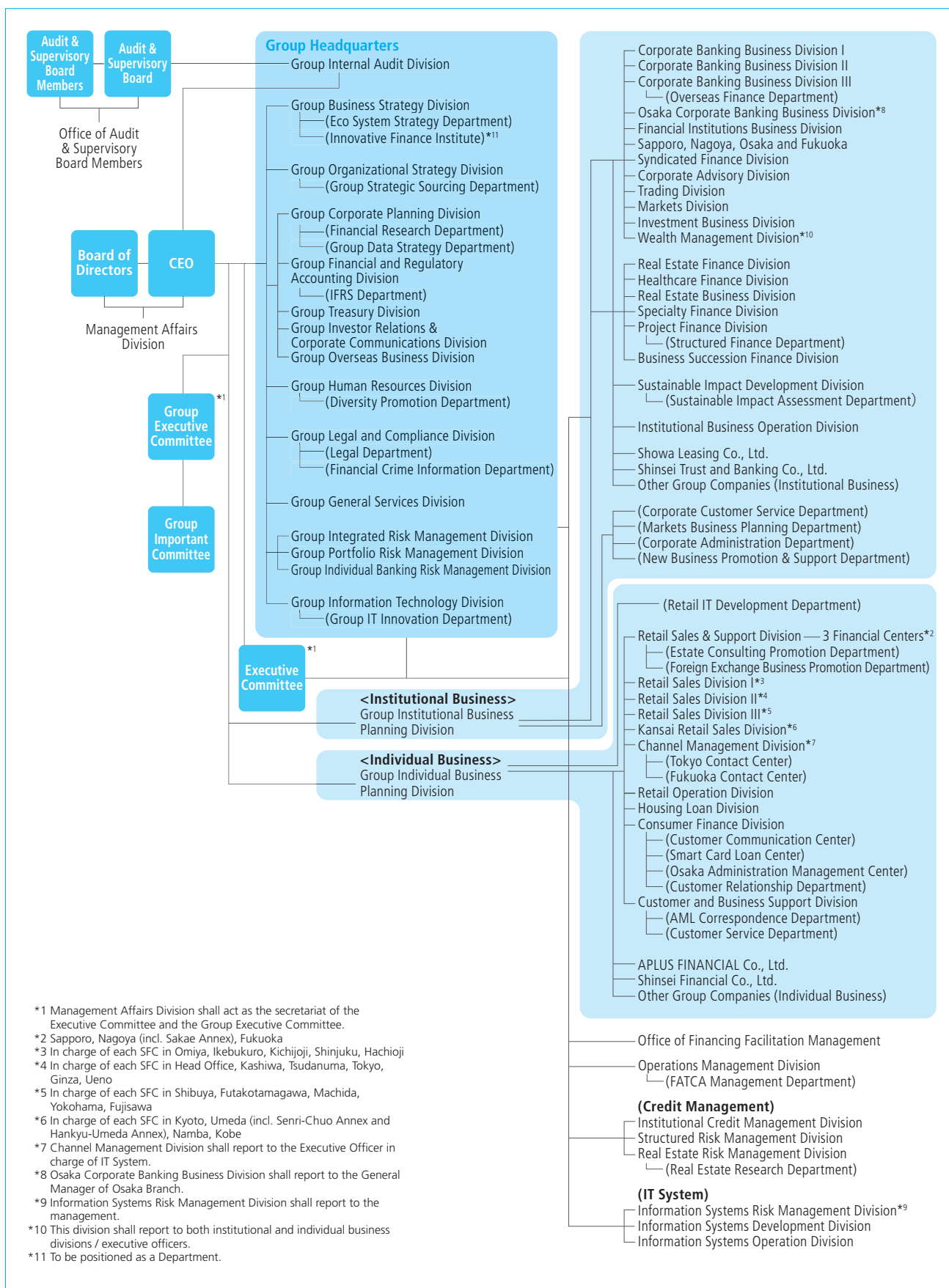
		September 30, 2019	March 31, 2020	September 30, 2020
Consolidated	Number of Employees	5,430	5,349	5,657
Nonconsolidated	Number of Employees	2,174	2,137	2,196
	Male	1,225	1,203	1,240
	Female	949	934	956
Average age		41 years 9 months	42 years 1 month	42 years 1 month
Average years of service		13 years 5 months	13 years 4 months	13 years 0 month
Average monthly salary		¥473 thousand	¥476 thousand	¥477 thousand
Number of Business-Limited Employees		151	147	141
Number of Part-time Employees		102	204	198
Number of Temporary Employees		1	6	1

(Note) Number of employees does not include business-limited employees, part-time employees and temporary employees. However, the number of employees after accounting for personnel seconded in or out of the Bank is 2,270 as of September 30, 2020.

(As of September 30, 2020)

Equity stake held by Shinsei Bank and consolidated subsidiaries (%)

Capital (in millions)	Established	Acquired		Equity stake held by Shinsei Bank	Equity stake held by consolidated subsidiaries of Shinsei Bank
¥29,360	1969. 4	2005. 3	100.0%	100.0%	—
3,243	1987. 7	2019. 7	80.0%	—	80.0%
5,000	1996.11	—	100.0%	100.0%	—
8,750	1997. 8	—	100.0%	100.0%	—
495	2001.12	—	100.0%	100.0%	—
100	2006. 4	2012.12	100.0%	100.0%	—
50	2012.11	—	100.0%	100.0%	—
15,000	1956.10	2004. 9	94.9%	1.6%	93.3%
15,000	2009. 4	—	100.0%	—	100.0%
100	2009. 4	—	100.0%	—	100.0%
1,000	1957. 4	2006. 3	100.0%	—	100.0%
100	1991. 6	2008. 9	100.0%	100.0%	—
100	1954.12	2007.12	100.0%	—	100.0%
54	1985. 2	—	100.0%	100.0%	—
500	2005.12	2017. 7	100.0%	100.0%	—
30	2013. 2	2019. 5	100.0%	100.0%	—
£3	2004. 9	—	100.0%	100.0%	—
\$56	2013. 6	—	50.0%	50.0%	—
HK\$462	2013. 8	—	100.0%	—	100.0%
HK\$130	2012. 9	2020. 2	100.0%	100.0%	—
NZ\$52	1938. 4	2020. 9	100.0%	100.0%	—
NT\$37,724	2002. 2	2006. 7	35.4%	—	35.4%
¥4,050	1997.12	2016.12	50.0%	50.0%	—
VND800,000	2016. 3	2017.10	49.0%	49.0%	—



Directors and Executive Officers

(As of December 1, 2020)

Board of Directors (7)

Hideyuki Kudo

Representative Director, President

Yoshiaki Kozano

Director

Ernest M. Higa*¹

Director
Chairman, President & Chief
Executive Officer,
Higa Industries Co., Ltd.

Yuko Kawamoto*¹

Director
Professor, Waseda Graduate School of
Business and Finance

Jun Makihara*¹

Director
Director, Monex Group, Inc.
Director, Philip Morris International Inc.

Rie Murayama*¹

Director
Former Managing Director,
Goldman Sachs Japan Co., Ltd.

Ryuichi Tomimura*¹

Director
President, Representative Director,
SIGMAXYZ Inc.

Audit & Supervisory Board Members (3)

Shinya Nagata

Audit & Supervisory Board Member

Ikuko Akamatsu*²

Audit & Supervisory Board Member
Certified Public Accountant,
Certified Fraud Examiner

Shiho Konno*²

Audit & Supervisory Board Member
Lawyer

*1 Outside Directors

*2 Outside Audit & Supervisory Board Members

Group Headquarters Officers and Shinsei Bank Executive Officers (36)

Hideyuki Kudo

Representative Director
President and Chief Executive Officer

(Senior Managing Executive Officer (SMEO) and equivalent to SMEO)

Sanjeev Gupta

Senior Managing Executive Officer,
Advisor to the President and Chief
Executive Officer

Akira Hirasawa

Senior Managing Executive Officer,
Overseeing Group Organizational Strategy,
Group Human Resources, Group General
Services and Group IT,
Chief Officer, Group Legal and Compliance,
Head of Operations Management

Yoshiaki Kozano

Director
Chief Officer, Group Business Strategy

Michiyuki Okano

Chief Officer, Group Organizational Strategy
and Group IT,
Senior Officer, Group Business Strategy

Shinichirou Seto

Senior Managing Executive Officer,
Head of Institutional Business Unit,
President and CEO, Showa Leasing
Co., Ltd.

(Managing Executive Officer (MEO) and equivalent to MEO)

Takako Hayashi

Chief Officer, Group Human Resources

Shoichi Hirano

Chief Officer, Group Corporate Planning
and Finance, Managing Executive
Officer, Executive Officer in charge of
Financing Facilitation, General Manager,
Office of Financing Facilitation
Management

Hirofumi Kusakabe

Managing Executive Officer, Head of
Group Structured Solution,
In charge of Group Institutional Business
Planning Division (Secondary)

Tsukasa Makizumi

Managing Executive Officer, Head of
Credit Risk Management

Masanori Matsubara

Managing Executive Officer,
Head of IT System
Senior Officer, Group IT

Kouichi Sawaji

Chief Officer, Group General Service

Tetsuro Shimizu

Managing Executive Officer, Head of
Individual Business Unit,
Senior Officer, Group Business Strategy,
Representative Director and President
and CEO of APLUS FINANCIAL Co., Ltd.

Hiroyuki Torigoe

Senior Officer, Group Business Strategy,
Managing Executive Officer, Head of
Consumer Finance,
President and CEO of Shinsei Financial
Co., Ltd.

(Executive Officer (EO) and equivalent to EO)

Tomohiro Arimatsu

Executive Officer, General Manager of Structured
Risk Management Division

Takahiro Fujii

Executive Officer, Executive Officer in charge of
Institutional Business

Kunimitsu Hayashi

Executive Officer, Head of Institutional Business

Etsuko Ichiba

Executive Officer, Executive Officer in charge of
Retail Operation, General Manager of
Retail Operation Division

Yukiko Iwasaki

Executive Officer, General Manager of
Institutional Business Operation Division

Hiroyuki Kagita

Executive Officer, Executive Officer in charge of
Customer and Business Support, General Manager
of Group Individual Business Planning Division

Taichi Kawai

Executive Officer, Executive Officer in charge of
Institutional Business

Kumi Kikugawa

Executive Officer, General Manager of Customer
and Business Support Division

Junichi Kobayashi

Senior Officer, Group Corporate Planning and Finance,
GM of Group Overseas Business Division

Takahisa Komoda

Executive Officer, In charge of Group
Institutional Business Planning Division

Suichi Kubo

Head of Group Internal Audit,
GM of Group Internal Audit Division

Takahiro Kubo

Executive Officer, In charge of Group
Structured Solution, Chairman of Shinsei
Investment & Finance Limited

Junya Nakamura

Senior Officer, Group Human Resources,
GM of Group Human Resources Division

Tamane Nishi

Senior Officer, Group Human Resources,
GM of Group Human Resources Division,
Department Head of Diversity Promotion
Department

Tomoko Ogawara

Executive Officer, Executive Officer in
charge of Retail Sales, General Manager
of Kansai Retail Sales Division

Chikara Oguni

Executive Officer, In charge of
Institutional Business

Hiroki Otake

Executive Officer, Head of Retail Sales

Hiroshi Oyama

Executive Officer, In charge of
Institutional Business, General Manager
of Osaka Branch

Toichiro Shiomi

Chief Officer, Group Risk, GM of Group
Portfolio Risk Management Division

Kojiro Taima

Senior Officer, Group Legal and Compliance

Kenji Uesaka

Executive Officer, Executive Officer in
charge of Group Structured Solution

Takahiro Yoshida

Senior Officer, Group Corporate Planning
and Finance

Note: Chief Officer and Senior Officer are positions of
Group Headquarters.

Note: Officers and Executive Officers are listed in
alphabetical order.

Note: Messrs. Yoshiaki Kozano and Michiyuki Okano
are equivalent to Senior Managing Executive
Officer of Shinsei Bank, Ms. Takako Hayashi and
Mr. Kouichi Sawaji are equivalent to Managing
Executive Officer of Shinsei Bank, and Messrs.
Junichi Kobayashi and Junya Nakamura, Ms.
Tamane Nishi, Messrs. Toichiro Shiomi, Kojiro
Taima and Takahiro Yoshida are equivalent to
Executive Officers of Shinsei Bank.

Senior Advisor

Shigeru Kani

Former Director, Administration Department, The Bank of Japan
Former Professor, Yokohama College of Commerce

Advisor

Yuji Tsushima

Executive Advisors

Hirohisa Kazami Kiyohiro Kiyotani Yasufumi Shimada Shigeto Yanase

Domestic Outlets

27 outlets (24 branches including head office, 3 annexes)

Hokkaido

Sapporo Branch

Kanto (Excluding Tokyo)

Omiya Branch

Kashiwa Branch

Tsudanuma Branch

Yokohama Branch

Fujisawa Branch

Tokyo

Head Office

Tokyo Branch

Ginza Branch

Ikebukuro Branch

Ueno Branch

Kichijoji Branch

Shinjuku Branch

Shibuya Branch

Futakotamagawa Branch

Hachioji Branch

Machida Branch

Tokai

Nagoya Branch

Sakae Financial Center

Kinki

Kyoto Branch

Osaka Branch

Umeda Branch

Umeda Branch—Hankyu Umeda Annex

Umeda Branch—Senri Chuo Annex

Namba Branch

Kobe Branch

Kyushu

Fukuoka Branch

Lake Unstaffed Branches:

Lake unstaffed branches	701 locations
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Partner Train Station, Convenience Store, and Supermarket ATMs:

Seven Bank, Ltd. ATMs	25,522 locations
E-net ATMs	12,740 locations
Lawson ATM Networks ATMs	13,479 locations
AEON Bank ATMs	6,323 locations
VIEW ALTTE ATMs	389 locations
Patsat ATMs	134 locations

Stock Information

(As of September 30, 2020)

Shares Outstanding and Capital

Date	Shares outstanding		Capital		Capital surplus		Notes
	Change	Balance	Change	Balance	Change	Balance	
July 29, 2003	(1,358,537)	2,033,065 ¹	—	451,296	—	18,558	2-for-1 reverse share split for common shares Post reverse split common shares outstanding 1,358,537 thousand shares
July 31, 2006	(99,966)	1,933,098 ¹	—	451,296	—	18,558	Use of call feature for Series 3 Class-B preferred shares Issuance of 200,033 thousand common shares Retirement of Series 3 Class-B preferred shares -300,000 thousand shares
November 16, 2006	(85,000)	1,848,098 ¹	—	451,296	—	18,558	Cancellation of treasury shares (common) -85,000 thousand shares
August 1, 2007	(100,000)	1,748,098 ¹	—	451,296	—	18,558	Mandatory acquisition of Series 3 Class-B preferred shares Issuance of 200,000 thousand common shares Retirement of Series 3 Class-B preferred shares -300,000 thousand shares
February 4, 2008	117,647	1,865,746 ¹	25,000	476,296	25,000	43,558	Third-party allocation of shares (common shares) Subscription price ¥425, par value ¥212.5
March 31, 2008	194,600	2,060,346	—	476,296	—	43,558	Use of call feature for Series 2 Class-A preferred shares Issuance of 269,128 thousand common shares Retirement of Series 2 Class-A preferred shares -74,528 thousand shares
March 15, 2011	690,000	2,750,346	35,907	512,204	35,907	79,465	New shares issued through International Offering (common shares) Subscription price ¥108, par value ¥52.04
October 1, 2017	(2,475,312)	275,034	—	512,204	—	79,465	10-for-1 reverse share split for common shares Post reverse split common shares outstanding 275,034 thousand shares
May 18, 2018	(16,000)	259,034	—	512,204	—	79,465	Cancellation of Treasury Shares (common) -16,000 thousand shares

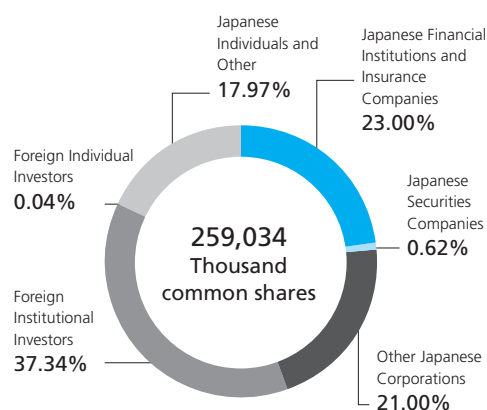
¹ Figures include number of preferred shares outstanding.

Largest Shareholders

Rank	Shareholders	Thousands of Common Shares	Shareholding Ratio
1	SHINSEI BANK, LIMITED	35,483	13.69%
2	Deposit Insurance Corporation of Japan	26,912	10.38%
3	SBI Holdings, Inc.	26,833	10.35%
4	THE RESOLUTION AND COLLECTION CORPORATION	20,000	7.72%
5	THE MASTER TRUST BANK OF JAPAN, LTD. (TRUST ACCOUNT)	13,688	5.28%
6	SSBTC CLIENT OMNIBUS ACCOUNT	8,457	3.26%
7	Custody Bank of Japan, Ltd. (TRUST ACCOUNT)	7,196	2.77%
8	Custody Bank of Japan, Ltd. (TRUST ACCOUNT 9)	4,053	1.56%
9	JP MORGAN CHASE BANK 385781	3,129	1.20%
10	STATE STREET BANK AND TRUST COMPANY 505103	3,124	1.20%
11	Custody Bank of Japan, Ltd. (TRUST ACCOUNT 5)	3,015	1.16%
Total (includes treasury shares)		259,034	100.00%

Note: As of September 30, 2020, in total, the Deposit Insurance Corporation of Japan and the Resolution and Collection Corporation hold 46,912,888 common shares or 20.98% of Shinsei Bank's outstanding common shares, excluding treasury shares.

Beneficial Ownership/ Type of Shareholder



Notes: 1 "Japanese Financial Institutions and Insurance Companies" includes the Resolution and Collection Corporation.
2 "Other Japanese Corporations" includes the Deposit Insurance Corporation of Japan.
3 "Japanese Individuals and Other" includes treasury shares.

Ratings Information

(As of November 30, 2020)

	Long-Term (Outlook)	Short-Term
R&I	A- (Stable)	a-1
JCR	A- (Stable)	J-1
S&P	BBB (Stable)	A-2
Moody's	Baa1 (Stable)	Prime-2

For further information, please contact:

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Shinsei Bank, Limited

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URL: <https://www.shinseibank.com/english/> E-mail: Shinsei_IR@shinseibank.com

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